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ABSTRACT

The Self-Sufficiency Project (SSP) is a Canadian social demonstration and research project designed to test an employment alternative to welfare. The SSP makes work pay by offering generous earnings supplements to long-term, single-parent welfare recipients who find full-time jobs and leave Canada's Income Assistance (IA) welfare system. The SSP's effects (both intended and unintended) were examined in a special study called the SSP Entry Effects Demonstration, which was based on a classic experimental research design. New recipients were randomly assigned either to: (1) a program group that was informed of SSP's earnings supplement and told that they could receive it if they remained on IA for 1 year, or (2) to a control group that was not eligible for supplement payments. Thirteen months later, the delayed exit effect of the new earnings supplement remained small (only 3.1%). Moreover, its effects grew only slightly over time. Even among those who were most knowledgeable about SSP's future earnings supplement offer, impacts remained fairly small, and SSP's 1-year eligibility restriction proved to limit both delayed exits from IA and new applicant entry effects. (Contains 10 tables/figures and 29 references.) (MN)

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# Do Work Incentives Have Unintended Consequences?

SRDC
SOCIAL RESEARCH AND DEMONSTRATION CORPORATION

March 1998

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# Do Work Incentives Have Unintended Consequences?

## Measuring "Entry Effects" in the Self-Sufficiency Project

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*Do Financial Incentives Encourage Welfare Recipients to Work? Initial 18-Month Findings from the Self-Sufficiency Project*. David Card (Princeton University) and Philip K. Robins (University of Miami). February 1996.

*When Work Pays Better Than Welfare: A Summary of the Self-Sufficiency Project's Implementation, Focus Group, and Initial 18-Month Impact Reports*. March 1996.

*How Important Are "Entry Effects" in Financial Incentive Programs for Welfare Recipients? Experimental Evidence from the Self-Sufficiency Project*. David Card (Princeton University), Philip K. Robins (University of Miami), Winston Lin (MDRC). August 1997.

*Implementing the Earnings Supplement Project: A Test of a Re-employment Incentive*. Howard Bloom (New York University), Barbara Fink (MDRC), Susanna Lui-Gurr (SRDC), Wendy Bancroft (SRDC), Doug Tattrie (SRDC). October 1997.

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This report draws heavily on the SRDC Working Paper, "How Important Are 'Entry Effects' in Financial Incentive Programs for Welfare Recipients? Experimental Evidence from the Self-Sufficiency Project," by David Card, Philip K. Robins, and Winston Lin. It simplifies that paper and combines it with implementation and focus group research to tell a more complete story than could be told by the impact data alone.

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The Authors

# Executive Summary

One of the most troubling issues facing social policymakers and researchers is whether new policies or programs will have unintended negative consequences. In the realm of welfare reform specifically, a common fear is that targeting welfare recipients for earnings supplements, as well as for employment and training opportunities, might encourage some people to apply for welfare who would not otherwise have done so. In the search for employment alternatives to the current public assistance systems in Canada and the United States, concern about such unintended consequences has greatly complicated the policymaking process.

The Self-Sufficiency Project (SSP) is a large, innovative social demonstration and research project in Canada that tests an employment alternative to welfare. It makes work pay by offering a generous earnings supplement to long-term, single-parent welfare recipients who find full-time jobs and leave the Income Assistance (IA) welfare system. SSP seeks to answer this question: If work paid better than welfare, would welfare-dependent single parents take jobs and leave the welfare rolls?

The project was also designed from the outset to learn about the potential unintended effects of welfare-based work incentives. This special study, described here, answers the question: If SSP is effective, will its generous earnings supplement encourage otherwise ineligible people to apply for or remain on welfare in order to qualify for its benefits?

SSP's supplement is available to single parents who have received IA benefits for at least one year; supplement benefits are paid for up to three years but only when participants work full-time; and the supplement amount is generous, effectively doubling the typical recipients' gross salary. Early results from a rigorous evaluation of SSP's effects are positive: SSP substantially increased employment and earnings and total family income while Income Assistance receipt declined. When work paid substantially more than welfare ($3,000–$5,000 more), many recipients left the rolls for work.

But what about unintended effects? If, in order to become eligible for SSP's earnings supplement, people apply for welfare or remain on welfare longer than they otherwise would have, then these "entry effects" could overwhelm SSP's positive results for long-term welfare recipients. The SSP Entry Effects Demonstration, which was designed to determine the magnitude of such effects, takes advantage of SSP's requirement that recipients be on IA for at least one year before they can receive the supplement. This requirement might produce a "delayed exit effect" (one type of entry effect) whereby new IA recipients who know about SSP delay their exit from welfare in order to qualify for the future supplement.

To measure the magnitude of the delayed exit effect that might be created by the offer of a future earnings supplement, the Entry Effects Demonstration uses a classic experi-

mental research design. New recipients were randomly assigned to either (1) a program group that was informed of SSP's generous earnings supplement and told that they could become eligible for the supplement if they remained on Income Assistance for one year, or (2) a control group that was not eligible for supplement payments. The two groups were virtually identical in every way but one: the program group was potentially eligible to receive future supplements while the control group was not. Thus, a year after random assignment, if program group members are more likely to remain on welfare than are control group members, we could reliably conclude that SSP induced some new recipients to remain on welfare longer than they would have otherwise.

## Findings in Brief

**The delayed exit effect was small.** Despite widespread concern about entry effects among both policymakers and researchers, results from this first-ever experimental test of entry effects indicate that very few welfare recipients prolong their stay on IA in order to become eligible for SSP's earnings supplement. Thirteen months after random assignment, 57.2 percent of new recipients assigned to the program group had received welfare benefits in 12 of the first 13 months after entering IA, versus 54.1 percent of the control group, a just barely statistically significant difference of 3.1 percentage points. There were no comparable labour market effects.

**Effects grow only slightly over time.** We had expected the delayed exit effect to grow over time because the cost to a recipient of staying on welfare longer would decline as the eligibility mark was approached. For example, people who had been receiving IA for 10 months would, we thought, be more likely than shorter-term recipients to delay their exit from welfare because they would have to wait only 2 extra months to qualify for SSP—substantially less time than someone who is thinking about leaving IA after only 1 or 2 months. The size of the impact—that is, the difference in the percent of program versus control group members on IA—does grow slightly over time, but no sharp jumps are evident in the last few months before establishing eligibility.

**Most eligible people understood the offer.** To provide a good test of entry effects, the study designers had to make sure that program group members had information about the program so that they could decide whether or not they should stay on the rolls. But in designing the study, researchers had to walk a fine line between providing more information than would be available in the typical "real world" program and providing too little information. As a typical program benchmark, the Entry Effects Demonstration was designed to provide information comparable with what program and control group members would know about the IA system's work incentives, which disregard (do not count) some earnings when welfare benefits are calculated. By that measure, program group members were generally well informed about the supplement offer. As many as three-fourths of the program group recalled relatively precise information about the SSP program, including the fact that it would provide extra income and that the key eligibility requirements were receipt of IA for a year and then leaving IA and holding a full-time job. By contrast, about half of both pro-

gram and control group members knew similarly precise information about the IA program's work incentives.

**Even among those who were most knowledgeable about SSP's future earnings supplement offer, impacts remained fairly small.** A separate estimate of delayed exits was made for the subset of program group members who were well informed about the earnings supplement program. Because this estimate did not involve a pure "experimental" comparison of program and control group members (and used only sample members who responded to the survey), it is not as reliable as the full sample experimental estimate. But it does suggest a possible upper-bound estimate of the expected effect if everyone in the program group was fully informed. Some 60.9 percent of "informed program group members" remained on IA for 12 of the prior 13 months, versus 56.1 percent of control group members—an impact difference of 5 percentage points, still a fairly small effect.

**IA recipients explained that they were reluctant to remain on IA longer just to gain eligibility for SSP because they disliked welfare and because it was difficult to find work.** Focus groups held with program group members suggested several reasons for the small effects observed here. The stigma of welfare coupled with a preference for work, plus the difficulty many recipients say they have finding work, provides strong impetus to take a job when one can be found. Moreover, single parents' daily lives involve a delicate balance between the demands of child-rearing and the demands of work. These forces preclude many recipients from planning their welfare behaviour around the timing of SSP eligibility.

**SSP's one-year eligibility restriction effectively limits both delayed exits and new applicant entry effects.** On balance, the results suggest that the one-year eligibility restriction for the SSP program successfully limits the size of the overall entry effects generated by the supplement offer. Moreover, the finding that delayed exit effects among new recipients were small, and that they did not emerge until recipients had been on welfare for several months, suggests that the new applicant entry effect generated by SSP may also be negligible. If new recipients—who have already borne the stigma and cost of welfare—are unwilling to prolong their time on IA in order to qualify for a future SSP earnings supplement, then working poor people who would not typically apply for welfare are even less likely to alter their behaviour. That is, they would be unlikely to enter the welfare rolls and wait the required year just to qualify for an earnings supplement.

Given the widespread concern about unintended effects of new social programs, the SSP Entry Effects Demonstration results are encouraging. They demonstrate first that policymakers can design policies that limit the likelihood that people will alter their behaviour to qualify for a new benefit program—for example, quitting a job or staying on welfare longer than they otherwise would have. And, the small size of the effect, the fact that it doesn't grow substantially over time, and the absence of any effect in the first four months following random assignment all suggest that concerns about entry effects may be somewhat overstated.

# Do Work Incentives Have Unintended Consequences?

## Measuring "Entry Effects" in the Self-Sufficiency Project

## Introduction

Over the last two decades, policymakers have grown more and more concerned about various assistance programs' potential unintended effects—including unintended caseload growth and rising rates of unmarried childbearing. Policymakers' fears are rooted in their observations of a number of programs over the past 20 years. In the United States in the early 1970s, for example, the Aid to Families with Dependent Children (AFDC) program—originally designed in the 1930s to support widows with children—suddenly grew exponentially in size, and over time became a program supporting large numbers of never-married mothers. The Canadian Income Assistance (IA) program experienced a similar explosion in size later in the 1970s, with more and more recipients divorced or never-married single mothers. Also in Canada, following changes designed to add an anti-poverty dimension to the Unemployment Insurance (UI) system, there emerged a new class of repeat users of UI benefits: often referred to as "10/40s," these individuals got in the 10 weeks of work required to qualify for benefits and then collected 40 weeks' worth of benefits. More recently, The Atlantic Groundfish Strategy (TAGS), an income support program for a class of fishermen whose livelihood was severely curtailed when the federal government imposed a moratorium on cod fishing, had many more participants than expected.[1]

In the case of welfare programs, economists have long recognized that a rise in benefit rates increases the incentive to enter a program. Recently, Moffitt (1992a) has stressed that tying eligibility for employment and training programs to welfare receipt may also induce people to apply for welfare programs in the United States.[2] And recent experience in Canada with the Supports to Employment Program (STEP), first implemented by the Province of Ontario in late 1989, underscores the caseload risks and uncertainties surrounding welfare-to-work incentive programs in particular. Intended to encourage work among low-income welfare recipients by making work pay, STEP increased the amount of earnings that

[1]Human Resources Development Canada, "The Atlantic Groundfish Strategy," chapter 16 in *The Report of the Auditor General of Canada* (Ottawa: Public Works and Government Services Canada, October 1997), pp. 16.1–16.24.

[2]Moffitt also discusses a "deterrent" effect of mandatory training programs, arising when the requirements of the proram are onerous and deter people from applying for welfare.

did not have to be counted (that is, were disregarded) when an IA recipient's welfare grant amount was calculated.[3] After having held steady for most of 1989, Ontario's welfare caseload began to rise in the months following the introduction of STEP—up 6,000 in November, up another 8,000 in December. In succeeding years, average monthly caseloads rose further—up 19 percent in 1990, another 36 percent in 1991, and another 22 percent in 1992. *There was little direct evidence that STEP actually caused these caseload increases; indeed,* a major economic recession hit Ontario in 1991 and 1992, driving the unemployment rate up to 11.2 percent by August 1992.[4] Undoubtedly, some of the welfare caseload increase was caused by rising unemployment. Nevertheless, the recession did not begin until 1991, while the caseload rise began in 1989, immediately after the introduction of STEP. Fearful that STEP's benefits were having an "entry effect" among working poor families, who were now applying for welfare in order to receive a welfare "top-up" to their low earnings, the provincial government introduced the STEP "Notch" in August 1992.[5] It restricted eligibility for STEP's earnings disregard to recipients who had been on the rolls for at least 3 months, effectively limiting benefits for new applicants. This action notwithstanding, Ontario's monthly welfare caseload continued to rise until early 1994 before leveling off and then declining rapidly.

Although the evidence to demonstrate that people change their behaviour in order to qualify for specific programs, or that some programs have caused an increase in out-of-wedlock births, is weak at best, the perception remains that assistance programs have unintended negative effects. This perception has made it increasingly difficult to gain support for new benefit programs.

The possibility that specific program features (such as the level of benefits or an offer of subsidized training) can lead people to alter their behaviour in order to become eligible for a program also poses a challenge for policy evaluation. Most program innovations are evaluated by studying the responses of the *existing pool* of program participants. But, if a policy change leads *new* people to join the participant pool, the actual behavioural effects and costs of the innovation may be different from the ones exhibited by existing participants. An evaluation that ignores such "entry effects"—new people coming into or remaining in a program—may then give an incomplete assessment of the overall effects of the program.

Although there is growing awareness of the importance of entry effects in interpreting the results from conventional program evaluations, little empirical evidence exists on the actual magnitude of the entry effects associated with specific programs. Moreover, most of

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[3]STEP increased the maximum earnings exemption for most "employable" recipients from $100 to $175 a month, switched from using gross earnings to earnings net of Unemployment Insurance (UI), Canada Pension Plan, and income tax deductions, and raised the amount of monthly child care expenses that could be deducted from earnings when calculating benefit amounts to a maximum of $390 a month per child. Hypothetically, after deductions, someone earning $1,000 a month would have only $185 in monthly earnings (1,000–175–250–390) that would count against their welfare benefits.

[4]John Greenwood, Deputy Director, SRDC (personal communication).

[5]John Stapleton, of the Ontario Ministry of Community and Social Services, provided the information on this example of the policy impact of a perceived entry effect. See Ontario Ministry of Community and Social Services, 1991.

the available evidence on entry effects is derived from nonexperimental evaluations, and is subject to a number of caveats. The results vary depending on the assumptions used and the methodology, and thus must be interpreted cautiously.[6]

Entry effects questions are particularly salient for Canada's Self-Sufficiency Project (SSP), an experimental program designed to make work pay for single parents who leave welfare for a job. Operating in the provinces of British Columbia (Vancouver and surrounding areas) and New Brunswick (St. John, Moncton, Sussex, and adjacent areas), SSP offers single parents who have received Income Assistance for at least one year an earnings supplement if they find a full-time job (or jobs) of at least 30 hours a week and leave Income Assistance.

SSP's earnings supplement is generous. The typical single parent who takes a full-time job at, say, $7.00 to $8.00 an hour receives a supplement payment that is about equal to his or her monthly earnings.[7] For example, an individual in British Columbia who works 30 hours per week at $7.50 per hour (roughly the median wage earned by SSP participants over the first 18 months after random assignment) earns $975 per month and receives a $1,075 monthly earnings supplement.[8] Supplement recipients usually have $3,000 to $5,000 more per year than they would have if they worked the same number of hours and remained on Income Assistance at a lower grant amount (that is, if they took advantage of IA rules that allow recipients to mix work and welfare).

One of SSP's goals is to increase the number of welfare recipients who leave welfare for work. Since the supplement is available only to individuals who have been on IA for 12 months or more, there are two types of potential "entry effects" created by SSP. First, given SSP's generosity, it could have the unintentional, offsetting effect of increasing the welfare rolls, by inducing some single parents who were not otherwise eligible for SSP to alter their behaviour in order to become eligible. That is, some individuals who otherwise would not be on welfare might decide to apply and begin an IA spell—a "new applicant" effect. Second, some new IA recipients who otherwise would leave welfare within a year might decide to extend their stay to gain SSP eligibility—a "delayed exit" effect. In principle, both types of entry effects may be important. However, because the behavioural changes needed to generate delayed exit effects—that is, extend an IA stay—are probably far less extensive than those needed to create new applicant effects (which require people to bear the costs and stigma of applying for welfare), it seems likely that delayed exits are a more important source of entry effects. For this reason, and because of the large samples and potentially high costs of implementing an experimental test of new applicant effects,[9] the SSP entry effects experiment is limited to the analysis of delayed exit effects.

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[6]The difficulties inherent in nonexperimental evaluation methods were underscored by LaLonde (1986). Also see the collection of papers in Manski and Garfinkel (1992).

[7]All dollar amounts are given in Canadian dollars.

[8]In British Columbia, people who work at least 30 hours per week receive supplement payments equal to one-half of the difference between their gross earnings and a target earnings level currently set at $37,625 per year.

[9]A test for a "new applicant" effect would require sampling from the entire population of single mothers

*(continued)*

The SSP Entry Effects Demonstration uses a classical random assignment research design. From a sample of single parents who recently started a new spell of IA, one-half were randomly assigned to a program group, and were informed that if they remained on IA for 12 months they would be eligible for the SSP supplement. The other half of the sample were assigned to a control group; they were not told about SSP and could not become eligible for it. Because assignment was random, the two groups have similar backgrounds and characteristics, differing systematically in only one respect: Program group members became eligible for SSP's earnings supplements if they remained on welfare for the required period of time, while control group members did not. Thus, any differences in welfare receipt or employment that emerge over time between the program and control groups can be reliably attributed to the offer of SSP supplement eligibility, and not to some other factor, such as an economic downturn. Specifically, any increase in the fraction of individuals who remain on Income Assistance in the program group relative to the control group is an estimate of the delayed exit effect created by the SSP supplement offer.

The remainder of this report describes the findings of this entry effects evaluation.[10] The first section presents a brief overview of the SSP program and the study design, then summarizes some information on the 3,315 individuals participating in the study, and ends by providing recipients' insights into the stigma of welfare. The next section describes our attempts to verify that individuals in the program group understood the nature of the SSP supplement offer. Our main findings on the differences between the behaviour of the program and control groups are then discussed, followed by a presentation of applicant program group members' views on the relative importance of the supplement offer in their decision to stay on or leave welfare. The final section presents our conclusions.

## The SSP Study and the Evaluation of Entry Effects

The Self-Sufficiency Project was conceived by an advisory committee of Human Resources Development Canada (the federal department responsible for welfare and employment policy) as a rigorous test of the value of financial incentives in encouraging work among long-term welfare recipients.[11] SSP provides a graduated earnings supplement that is similar to the negative income tax proposals that were evaluated in social experiments in the United States and Canada in the 1970s (Robins, 1985; Hum and Simpson, 1991). Several features of the SSP program distinguish it from a conventional negative income tax, however. Most important, SSP is available only to single parents who have been on Income Assistance for over a year, while the working poor and other low-income people were eligible for the negative income tax supplement. Targeting the supplement only to welfare recipients limits its costs. Restricting it further to recipients who have been on the rolls for one year

(those at risk of becoming welfare recipients). Because so few of these lone mothers would actually respond by applying for welfare, a large sample would be required to obtain statistically significant effects.

[10]For more details on study design and a more comprehensive analysis of findings, see Card, Robins, and Lin (1997).

[11]See SRDC (1993) and Mijanovich and Long (1995) for more details on the design of the SSP experiment.

reduces the incentives individuals have to enter Income Assistance in order to receive the supplement, since they won't receive it immediately—that is, this restriction should lead to reduced entry effects. SSP payments are further limited to individuals who leave Income Assistance and find full-time employment (one or more jobs that total a minimum of 30 hours per week). This full-time work requirement means that people who would have worked full-time without SSP's inducement have no incentive to reduce their hours below 30 per week, an effect found in the negative income tax experiments. Moreover, unlike conventional family-income-based programs, the SSP supplement varies with individual earnings, and is unaffected by family size and nonlabour income sources, such as child support payments or other family members' incomes. Finally, supplement payments are available only for up to three years, and only to individuals who qualify and begin receiving SSP payments within 12 months of their initial eligibility.

## The Recipient Study

SSP consists of two studies: the main (or "recipient") study and the entry effects study that is the focus of this report. In the recipient study, a group of some 6,000 single parents in British Columbia and New Brunswick who had been on Income Assistance for at least a year were randomly divided into program and control groups. The program group was offered the earnings supplement while the control group was simply interviewed and followed. (See SRDC, 1996, for initial results from an early cohort of participants in this study.) Overall, about a third of single parents who were eligible for SSP left welfare within the one-year window of eligibility, found full-time work, and took advantage of SSP's earnings supplement.

When the program and control groups are compared, SSP made a substantial net difference in employment, earnings, and welfare receipt by the fifth quarter of follow-up (months 13–15). Program group members were twice as likely to be working full-time (25 percent versus 12 percent of control group members); they worked 20 hours more per month (a 67 percent increase); their earnings exceeded control group earnings by $137 a month (a 58 percent increase); and their total monthly income was $231 higher on average (a 23 percent increase). In addition to earnings from full-time work, supplement takers also received average payments of $900–$1,000 per month from SSP, just slightly less than the maximum Income Assistance grant available to a typical single parent.[12] These findings suggest that the supplement offer is a valuable benefit for many long-term welfare recipients, and underscore the importance of considering the possible additional costs associated with entry effects generated by the SSP supplement offer.

[12]For example, in the British Columbia program group, average monthly SSP payments among those with a positive payment were $892 in the 12th month of the experiment and $957 in the 17th month. The maximum IA grant for an average family was $1,079 in British Columbia.

## The Entry Effects Demonstration

The SSP Entry Effects Demonstration is designed to measure the effect of the *future availability* of an earnings supplement on the behaviour of newly enrolled Income Assistance recipients. As noted earlier, behavioural changes among people already on Income Assistance (delayed exit effect) represent only one of two possible sources of entry effects in response to the SSP supplement offer. Changes in the number and/or types of people who begin a new spell of Income Assistance may also arise (the new applicant effect) but are not directly evaluated in this study. However, if delayed exit effects are very small, nonexistent, or occur only in the later months of follow-up, it is unlikely that an applicant entry effect would occur. We return to the question of the likely magnitude of this new applicant effect later in this report.

The Entry Effects Demonstration utilized a random sample of all single parents who had applied for and received Income Assistance between January 1994 and March 1995 in the Vancouver metropolitan area. By definition, these individuals were beginning a new spell of Income Assistance—defined as not having received Income Assistance for at least six months—although a significant minority (31 percent) had received Income Assistance payments at some time in the two years prior to their most recent application. After the Income Assistance application was approved and processed, individuals were mailed letters from both the British Columbia Ministry of Social Services and Statistics Canada (the data collection contractor for the study) informing them that they had been selected to participate in a research project. They were then contacted and interviewed at home, where they completed a baseline interview and were asked to sign an informed consent form agreeing to be part of the study and granting researchers access to administrative records data containing information on Income Assistance receipt. The informed consent form explained that the respondent would be part of the SSP research study, described the random assignment process, and promised that all individual-level data about them would be kept confidential. Approximately 80 percent of individuals selected into the initial applicant project sample completed the in-home baseline interview and signed the consent form.[13]

Immediately after the baseline interview, individuals were randomly assigned to either the program group or the control group. The overall study sample consists of 3,315 individuals: 1,648 in the program group, and 1,667 in the control group. Note that most individuals (70 percent of the sample) had received one Income Assistance cheque before the month of random assignment, although some had received as many as four cheques[14] and

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[13]According to the Statistics Canada interviewers, a main reason for nonresponse was that individuals had already left IA by the time they were contacted for their baseline interview. Among individuals who were still on IA but refused to participate, many felt that they would be off IA very quickly (some were on IA because they were waiting to receive Unemployment Insurance benefits) and were reluctant to take part in an experiment designed for welfare participants. By excluding these short-termers from the sample, our estimates of delayed exit effects are likely to be overstated because none of these individuals would have been likely to respond to the SSP offer.

[14]This difference occurred primarily because the IA system issues cheques to meet the coming month's needs, while the sample selection process relied on monthly payment files. Applicants appearing in the files for

*(continued)*

others had not yet received any (that is, their cheque was reversed or withdrawn possibly because other sources of income were reported). The month of random assignment is used as the study start date throughout this report, since this is the month in which program group members were informed about SSP.[15] This convention introduces some ambiguity, however, because different people reach their minimum 12-month stay on IA in different months after random assignment—anywhere from 8 to 12 months, depending on the number of IA cheques received before random assignment.

The Entry Effects Demonstration took the form of a letter and brochure informing program group members of their potential eligibility for SSP and explaining the nature of the supplement offer in more detail. (The letter and brochure also described the random assignment process and promised that individual-level data would remain confidential.) In addition, program group members were mailed a "reminder" six to seven months after their baseline interview outlining the supplement offer and the eligibility criteria. In both the initial and reminder letters, program group members were instructed as follows:

> SSP can provide extra money (an "earnings supplement") to certain people who are on Income Assistance. To get the extra money, you must get a full-time job, and leave Income Assistance. Depending on the size of your family and how much you earn, the extra money could mean a large increase in your total income—from a few hundred to several thousand dollars over a one-year period. But not everyone would be better off working full-time and receiving the extra money.[16]
>
> ***Who is eligible?*** Eligibility for SSP is determined as follows:
>
> - Single parents who have received Income Assistance for 12 months in a row are eligible. The 12-month period started with the first Income Assistance cheque you received in the past six months.
> - Once single parents on Income Assistance become eligible, they can only get the extra money by working at a full-time job (that means working at least 30 hours per week).
> - Single parents must leave Income Assistance when they start getting the extra money.

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the first time, who showed up as having two or three cheques, had received payments that were disbursed "off-line" from the imprest account at the IA office. The monthly payment files report all computer-generated cheques issued for the next month, and all imprest cheques written for the current month. Thus, the monthly payment file could show as many as three payments –a pro-rated cheque from the end of the previous month, and full cheques for the current and next month.

[15]Throughout this report, the following convention is used: month 1 refers to the month of random assignment and month –1 refers to the previous month. (There is no month 0.)

[16]Because SSP's supplement amount is the same regardless of family size, large families might not be better off.

- This extra money will be paid for three years, but only during periods of full-time work.

Individuals were also given a telephone number to call for more information, and about 10 percent of the program group contacted the SRDC office for clarification of the rules. The brochure was a multi-page leaflet that explained the eligibility rules and the SSP formula, and provided the following example of a supplement payment amount for a typical individual:

> Depending on the amount you earn, the supplement could mean an increase of hundreds of dollars to a participant's monthly earnings. For example: someone working 35 hours per week at $8.00 per hour could receive supplement payments of about $950 per month—in addition to your earnings.

Both program group and control group members were reinterviewed 11 months after getting their first IA cheque—just prior to the completion of the minimum period that program group members would have to spend on IA in order to become eligible for SSP. This survey, along with the baseline interview and administrative records on IA recipiency and SSP payments, as well as a set of four focus groups held with a total of 30 sample members from the program group, form the primary data sources for evaluating the entry effects project.

## Sample Description

Table 1 presents information about the characteristics of individuals enrolled in the entry effects experiment, based on data from the baseline interview and IA records.[17] The first column of the table shows data for the overall sample, while columns 2 and 3 present data separately for the control and program groups. Since program status was randomly assigned, any differences in baseline characteristics of the two groups should arise only by chance. As the table shows, for most variables, the program and control group averages are similar, indicating that the random assignment process was successful in creating two similar groups. Small but statistically significant differences existed between the two groups in the percent female, percent of First Nation ancestry, percent with an emotional limitation, percent whose family received IA, and average monthly IA benefits.[18] As we explain later, we control for these differences in the analysis.

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[17]To avoid confusion with the SSP recipient experiment, we sometimes refer to individuals enrolled in the entry effect experiment as "applicants" or "new applicants." It should be understood that these individuals are new applicants who actually began a spell of welfare.

[18]A statistically significant difference is one that is larger than what would typically result by chance. For example, a statistical significance level of 10 percent means that chance differences are expected to occur no more than 10 percent of the time.

**Table 1**

**Entry Effects Demonstration**
**Description of Baseline Characteristics of Entry Effects Sample, Compared with the BC Recipient Sample and BC Lone Mothers in the 1991 Census**

| Characteristic | Overall (1) | By Program Status: Control Group (2) | By Program Status: Progam Group (3) | By Program Status: Difference[a] (4) | BC Recipient Sample: Means (5) | BC Recipient Sample: Difference vs. Applicants[b] (6) | Lone Mothers in BC in 1991 Census (7) |
|---|---|---|---|---|---|---|---|
| **Personal Characteristics** | | | | | | | |
| Percent female | 90.7 | 91.6 | 89.7 | -1.9 * | 94.9 | 4.2 *** | 100.0 |
| | (0.5) | (0.7) | (0.7) | | (0.9) | | -- |
| Average age (years) | 32.5 | 32.3 | 32.6 | 0.3 | 32.5 | 0.0 | 34.6 |
| | (0.1) | (0.2) | (0.2) | | (0.2) | | (0.2) |
| Percent under age 25 | 15.5 | 14.9 | 16.1 | 1.2 | 19.5 | 4.0 *** | 10.0 |
| | (0.6) | (0.9) | (0.9) | | (1.1) | | (0.6) |
| Percent with less than high school education | 41.4 | 41.4 | 41.4 | 0.0 | 53.8 | 12.4 *** | 29.2 |
| | (0.9) | (1.2) | (1.2) | | (1.4) | | (0.9) |
| Percent high school grads, no postsecondary | 38.3 | 37.7 | 39.0 | 1.3 | 34.1 | -4.2 *** | 32.2 |
| | (0.8) | (1.2) | (1.2) | | (1.3) | | (1.0) |
| Percent with some postsecondary education | 20.2 | 20.9 | 19.6 | -1.3 | 12.1 | -8.1 *** | 38.6 |
| | (0.7) | (1.0) | (1.0) | | (0.9) | | (1.0) |
| Percent First Nation ancestry | 8.9 | 9.8 | 7.9 | -1.9 * | 12.4 | 3.5 *** | 11.2 |
| | (0.5) | (0.7) | (0.7) | | (0.9) | | (0.7) |
| Percent immigrants | 30.0 | 30.7 | 29.2 | -1.5 | 22.6 | -7.4 *** | 16.8 |
| | (0.8) | (1.1) | (1.1) | | (1.2) | | (0.8) |
| Percent Asian ancestry | 9.4 | 9.1 | 9.7 | 0.6 | 6.7 | -2.7 *** | 5.4 |
| | (0.5) | (0.7) | (0.7) | | (0.7) | | (0.5) |
| Percent with a physical limitation | 19.8 | 19.6 | 20.0 | 0.4 | 26.6 | 6.8 *** | -- |
| | (0.7) | (1.0) | (1.0) | | (1.2) | | |
| Percent with an emotional limitation | 7.2 | 8.3 | 6.1 | -2.2 ** | 9.2 | 2.0 ** | -- |
| | (0.5) | (0.7) | (0.6) | | (0.8) | | |
| **Family Background** | | | | | | | |
| Percent whose mother did not finish high school | 51.7 | 51.5 | 51.9 | 0.4 | 54.2 | 2.5 | -- |
| | (0.9) | (1.3) | (1.3) | | (1.5) | | |
| Percent whose father did not finish high school | 47.9 | 49.4 | 46.3 | -3.1 | 50.0 | 2.1 | -- |
| | (0.9) | (1.3) | (1.3) | | (1.6) | | |
| Percent who lived with both parents at age 16 | 65.1 | 64.6 | 65.6 | 1.0 | 56.2 | -8.9 *** | -- |
| | (0.8) | (1.2) | (1.2) | | (1.4) | | |
| Percent whose family received IA | 17.3 | 18.9 | 15.7 | -3.2 ** | 20.9 | 3.6 *** | -- |
| | (0.7) | (1.0) | (0.9) | | (1.2) | | |
| **Family Structure** | | | | | | | |
| Number of children (up to age 18)[c] | 1.7 | 1.7 | 1.6 | -0.1 | 1.7 | 0.0 | 2.0 |
| | (0.0) | (0.0) | (0.0) | | (0.0) | | (0.0) |

(continued)

**Table 1 (continued)**

| Characteristic | Overall (1) | By Program Status: Control Group (2) | By Program Status: Program Group (3) | By Program Status: Difference[a] (4) | BC Recipient Sample: Means (5) | BC Recipient Sample: Difference vs. Applicants[b] (6) | Lone Mothers in BC in 1991 Census (7) |
|---|---|---|---|---|---|---|---|
| Number of children under age 6[c] | 0.7<br>(0.0) | 0.7<br>(0.0) | 0.7<br>(0.0) | 0.0 | 0.7<br>(0.0) | 0.0 | -- |
| Percent separated, widowed, or divorced | 70.6<br>(0.8) | 70.0<br>(1.1) | 71.2<br>(1.1) | 1.2 | 54.0<br>(1.4) | -16.6 *** | 70.6<br>(0.9) |
| Percent never married | 23.7<br>(0.7) | 24.7<br>(1.1) | 22.6<br>(1.0) | -2.1 | 44.3<br>(1.4) | 20.6 *** | 26.0<br>(1.0) |
| Percent who own their own home | 10.8<br>(0.5) | 10.7<br>(0.8) | 11.0<br>(0.8) | 0.3 | 3.9<br>(0.5) | -6.9 *** | 34.6<br>(1.0) |
| **IA History** | | | | | | | |
| Average number of months of IA in last 3 years | 4.7<br>(0.1) | 4.6<br>(0.2) | 4.8<br>(0.2) | 0.2 | 29.0<br>(0.2) | 24.3 *** | -- |
| Average monthly IA payments at baseline ($)[d] | 862.0<br>(7.4) | 874.6<br>(10.4) | 849.2<br>(10.5) | -25.4 * | 1,003.2<br>(8.0) | 141.2 *** | -- |
| Expected 1-6-month stay on IA at entry[e] | 31.2<br>(0.8) | 31.2<br>(1.1) | 31.1<br>(1.1) | -0.1 | -- | -- | -- |
| Expected >6-month stay on IA at entry[e] | 9.1<br>(0.5) | 8.6<br>(0.7) | 9.6<br>(0.7) | 1.0 | -- | -- | -- |
| Entered IA because of relationship breakdown[e] | 35.2<br>(0.8) | 35.2<br>(1.2) | 35.3<br>(1.2) | 0.1 | -- | -- | -- |
| **Work History** | | | | | | | |
| Percent who ever worked for pay | 96.7<br>(0.3) | 96.3<br>(0.5) | 97.0<br>(0.4) | 0.7 | 94.6<br>(0.6) | -2.1 *** | 97.7<br>(0.3) |
| Average number of years worked | 10.5<br>(0.1) | 10.3<br>(0.2) | 10.7<br>(0.2) | 0.4 | 7.9<br>(0.2) | -2.6 *** | -- |
| Percent working at baseline | 22.4<br>(0.7) | 22.0<br>(1.0) | 22.8<br>(1.0) | 0.8 | 19.0<br>(1.1) | -3.4 ** | 59.5<br>(1.0) |
| Sample size | 3,315 | 1,667 | 1,648 | | 1,264 | | 2,349 |

SOURCE: SRDC analysis files of individuals in the SSP Entry Effects Demonstration (columns 1-4), the SSP Recipient Demonstration (column 5), and the 1991 Canadian Census (column 7). The sample in column 7 is weighted: Lone mothers whose only children are age 15 or older receive a weight of 0.0953. See text.

NOTES: Standard errors are shown in parentheses.

[a]Asterisks are significance levels for a test that the mean characteristics of individuals in the control group and program group are the same. Significance levels for a two-tailed t-test are *10 percent, **5 percent, and ***1 percent.

[b]Asterisks are significance levels for a test that the mean characteristics of individuals in the entry effects sample (column 1) and the recipient sample (column 5) are the same.

[c]Typical standard errors for the means in this row are in the range of 0.02-0.03. For the Census sample, this variable is derived from the size of the economic family.

[d]Average monthly IA received in the month prior to the baseline interview, or in cases where the individual received no benefits in that month, in the month following the baseline interview.

[e]These variables were collected retrospectively in the 12-month interview, and pertain to the start of the IA spell that led to entry into the entry effects sample.

For comparative purposes, column 5 of Table 1 presents similar descriptive information for an early cohort of individuals enrolled in the SSP recipient experiment, and column 6 shows the size of the difference in characteristics between the applicant and recipient samples.[19] Finally, column 7 presents data on characteristics of the population that might be considered "at risk" of entering IA and becoming eligible for SSP—a sample of lone mothers in the province of British Columbia drawn from the 1991 Census.[20]

Several key characteristics of the population of new welfare applicants and longer-term recipients emerge from Table 1. Single-parent IA recipients in British Columbia are overwhelmingly female, and tend to be relatively young and poorly educated. The fraction of recent applicants with less than a high school education is 41 percent, versus 54 percent among longer-term welfare recipients in the recipient sample, and 29 percent among all lone mothers in the province. As might be expected, new welfare applicants are somewhat less educated than the overall population of single mothers, but better educated than the group of single parents who have been on welfare for a year or more.

The family background data in Table 1 indicate that IA applicants and longer-term recipients come from relatively disadvantaged families with poorly educated parents, a high rate of single-parenthood, and high rates of welfare receipt. Not surprisingly, recent IA applicants have slightly more advantaged backgrounds than do people in the recipient study, who must have been on welfare for at least 12 months to be included in the sample. They also have a lower incidence of physical and emotional limitations, which act as barriers to employment.

The family structure information in Table 1 shows that recent IA applicants and longer-term recipients have similar family sizes. A much sharper distinction between the two groups is in marital status. Twenty-four percent of recent IA applicants are never married—close to the fraction never married in the overall population of lone mothers, but far below the 44 percent of longer-term recipients. Recent IA applicants also have a higher rate of home ownership than do longer-term recipients, although much lower than the ownership rate of all lone mothers.

As expected, the IA histories of recent applicants and longer-term recipients are quite different. This gap is illustrated in Figure 1, where the fractions of the two groups receiving IA payments in various months are shown. For new applicants, the data are aligned relative to the month of random assignment in the entry effects study, which occurred on average 1 to 3 months after the start of a new IA spell. For long-term recipients in the main SSP study, the data are aligned relative to the month of random assignment in that study. Since eligibil-

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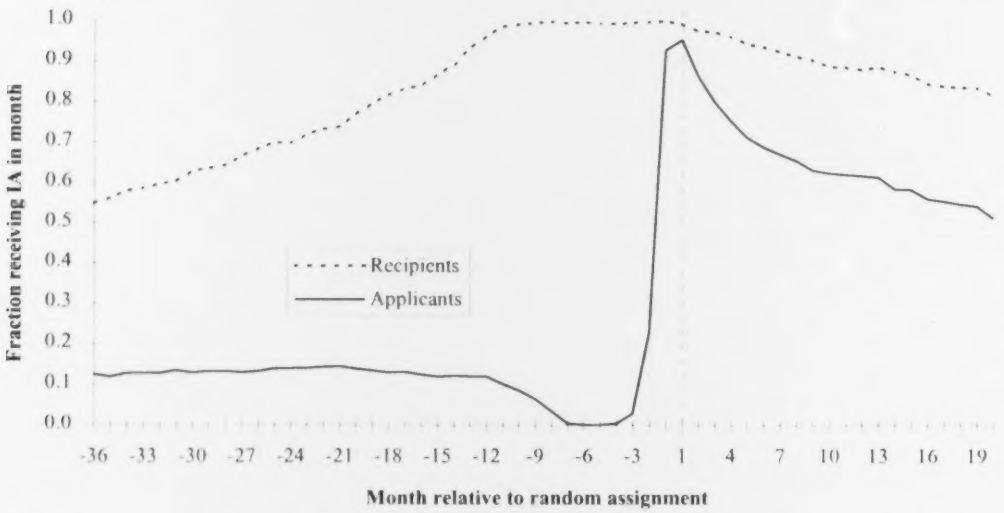
[19]Note that the main SSP experiment is being conducted at sites in both British Columbia and New Brunswick, whereas the entry effect experiment was conducted in British Columbia only. In Table 1 we include only individuals in the British Columbia recipient sample.

[20]SSP is available only to single parents with children under age 19, whereas the sample of lone mothers in the 1991 Census includes women with older children. As a rough adjustment procedure, we constructed weights to down-weight the relative fraction of mothers in the Census sample whose only child was over age 14. Our weighting procedure lowers the relative fraction of such mothers from 37 percent in the unweighted sample to 5.3 percent—the actual fraction of single parents in the SSP applicant sample whose only children are over age 15.

ity for the recipient sample is predicated on at least 12 months of IA receipt, IA recipiency rates are essentially 100 percent throughout the entire pre-baseline year. We also show post-random-assignment IA recipiency rates for the *control groups* of both studies. New applicants leave IA much faster than do longer-term recipients, even in the absence of any program intervention.[21]

**Figure 1**

**Entry Effects Demonstration**
**Fractions of Individuals Receiving Income Assistance: Recent Applicants in Entry Effects Demonstration Versus Long-Term Recipients in Recipient Demonstration**




NOTE: Post-baseline data (month 1 and after) are for control group only.

Returning to Table 1, the data show that recent IA applicants have slightly lower average IA benefit levels in the month before random assignment than do longer-term recipients. This gap is a result of a small fraction of "partial month" IA cheques among new applicants: In later months (not shown), average IA payments (conditional on remaining on welfare) are similar among recent applicants and longer-term recipients.

[21]Note that individuals in the recipient experiment are immediately eligible for an SSP supplement if they find a full-time job, whereas individuals in the applicant experiment must wait 12 months before establishing eligibility.

In addition, the bottom rows of Table 1 report data on the work histories of IA applicants, longer-term recipients, and lone mothers. Almost all recent applicants and long-term recipients have worked at some time in the past, although only about 20 percent were working at the baseline interview date.[22] This figure compares with the roughly 60 percent employment rate among all lone mothers in British Columbia. Of course, lack of employment is an important reason why many lone mothers are on IA.

Finally, Table 1 also presents some self-reported information on the reason for entering IA and on the expected duration of the welfare spell on entry.[23] About one-third of recent applicants report that they expected to be on welfare from 1 to 6 months when they first applied for IA. Another 9 percent expected a longer stay, while just over one-half of the sample had no idea (or were unable to answer). Some 35 percent of applicants entered IA because of a relationship breakdown. The remainder applied for welfare for a variety of reasons, including job loss, financial difficulties, and so forth (not shown in table).

The descriptive data in Table 1 suggest a potentially useful taxonomy for thinking about the magnitude of any "delayed exit" effect caused by the offer of an earnings supplement for individuals who stay on welfare for a year. On the one hand, many recent IA applicants have substantial work histories, and 20 percent have some postsecondary education. Moreover, many new applicants believe that they will be on IA for only a short time. The relatively high economic and psychic costs of staying on welfare for these highly motivated and job-ready individuals suggest that the SSP supplement offer may not influence their behaviour very much. On the other hand, a substantial fraction of recent IA applicants face long-run obstacles to self-sufficiency, including low education, physical or emotional difficulties, and unstable family relationships. Many of these individuals will remain on IA for a year or more with or without any inducement created by the SSP supplement offer. The size of any delayed exit effect, therefore, depends on the behaviour of the "middle group" of single parents who are likely to remain on IA for more than a couple of months but less than a year in the absence of the supplement offer. To the extent that these individuals are willing to accept the costs of remaining on IA for several extra months—that is, the high stigma and lost earnings—against the benefits of a future potential earnings supplement, the SSP supplement offer will generate delayed exit effects.

## Stigma: The Psychological Cost of Welfare

The decision to apply for government help is a complex one, often reached in a period of personal crisis. The most common precipitating events are a separation or divorce; loss of a job; the birth of a new child, which places new financial demands on the household; illness; or the loss of support from a friend, relative, or partner who was providing food,

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[22]The similarity of employment rates at baseline for new applicants and longer-term recipients suggests that a fairly stable fraction of persons on IA work while receiving benefits.

[23]These data were collected in the 12-month survey rather than the baseline survey, and are hence retrospective.

housing, or other assistance.[24] When single parents arrive at a welfare office to apply for benefits, they often have to wait in line. Once they are seen, the application process requires them to explain to an eligibility worker why they are there—that is, about the personal crisis that drove them to apply for benefits—and they have to describe their sources of income, provide a list of assets, and show supporting documentation about expenses, number of children, and the like. The application process and subsequent interactions with the IA system are often characterized negatively by recipients.[25]

Indeed, a substantial number of new applicants do not want anyone to know that they are receiving benefits. When the B.C. Ministry sent out letters informing new applicants they had been selected to participate in this research study, about 2 in 10 asked to be removed from the study. Many of these people said that they did not consider themselves to be welfare recipients and/or they did not want anyone to know they were welfare recipients and that they expected to be off the rolls in a few months or less. Moreover, of the new applicants who did agree to be a part of the study, more than one-fourth said they had not told any of their friends that they were receiving IA benefits.

"Shame" and "desperation" are words that welfare recipients often use to describe how they feel about receiving benefits. "Stigma" is the term social scientists use to characterize these feelings. In focus groups (described later) held with applicants who were part of this study, many first-time recipients expressed dismay and even shock at finding themselves in a situation of dependency and diminished social status. Those with previous welfare history experienced feelings of a different kind, occasioned more by a sense of failure. As one applicant said, "It was, again, the feeling that I had let my family down to have to turn to that [IA] again."

In addition, recipients reported that their children often had a difficult time accepting the financial and status sacrifices that accompany a welfare existence. When participants talked about how their children reacted to being on IA, they said that their children felt discouraged, resentful, and hurt. Pauline described her children's reaction to being at the IA office:

> . . . my kids are going, like, "We can't tell anybody that this is what we do—you know, come and sit in this office."

Samantha said that her son was also bothered by the stigma, as well as by other aspects of their existence:

> He also felt threatened because he knew that Income Assistance doesn't give you anything, so there isn't any money for anything. He also saw me put myself through courses when I was working and nothing came of them—I still couldn't get hired. . . . And I think he's feeling scared and he's fighting with his own [lack of] self-esteem.

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[24] See for example, Bancroft and Vernon (1995), Bane and Ellwood (1983: 10–12), Pavetti (1993), cited in U.S. House of Representatives (1994: 442–50).

[25] See Bancroft and Vernon (1995).

Asked to comment on what Income Assistance meant to them, participants said that Income Assistance offered them a helping hand in a time of need, and had given them the opportunity to spend more time with their children, but it had equally meant dealing with shame and with the loss of self-esteem that, as one participant said, left her feeling that she was "not a good person." Nathan described this feeling as something that "makes it difficult for you to get out there and look for work. Your confidences [sic] are way down. It's just tough; the day seems tougher to look at every day." Some, especially the new immigrants in the groups, came from communities that were very critical of welfare recipients. Marcy recounted comments she had heard within her social circle:

> . . . they always criticize those who are taking advantage of these kinds of Income Assistance from the government. And they say, "We're paying taxes, and these people are too lazy. They use our taxes and don't go look for jobs."

An Indo-Canadian man said, "I am ashamed. I don't tell anybody else, just my son, because our community don't like that. They're thinking it's garbage—a no-good man."

A few participants talked about experiencing a depression that left them "inadequate" and "unmotivated," and also of feeling as if they had lost their identity and become just another number in the system. Others felt revulsion about having to ask friends and family members to help with things like money, food, and transportation, " . . . skimping and living on macaroni and pancakes." Another woman noted, "If you're on welfare you sit home all day. Your weekend is Monday to Friday, and then Saturday and Sunday come and your friends go: 'Well gee, now it's the weekend,' and you go: 'Oh yeah. And that's different for me?'"

In sum, welfare receipt reportedly carries with it a very high personal cost in lost social status, lowered self-esteem, and isolation from friends and family. It is this cost that potential welfare applicants must weigh when deciding whether to join a social program or—in the case of the SSP entry effects study, where they already receive IA benefits—whether they should remain on the rolls longer in order to qualify for SSP's earnings supplements.

## A Fair Test: Do People Understand the Offer?

A fundamental issue in any social experiment is whether the program innovation being tested accurately reflects what would happen in a real-world setting. In the SSP study of entry effects, this question is especially difficult because the "innovation" is the provision of information about a *potential* benefit available under a program a year hence. This situation makes the design of an entry effects test a complicated affair. The goal is to simulate the kind of behavioural change that might be expected if a program like SSP was actually part of a provincial welfare system's program mix. Essentially, we wanted to understand how new IA applicants would change their behaviour if they knew in advance about SSP's earnings supplement benefits. But how much would people actually know—via official and unofficial sources—about a program like SSP? If the SSP supplement was made a permanent feature of the IA system, one would expect a variety of informal and formal networks to gradually disseminate information about the program. Friends and family members would relate their expe-

riences under SSP to people already on IA or contemplating entry.[26] In addition, advocacy groups would inform welfare recipients and potential recipients about the program.

Replicating this level of community knowledge created a quandary for the project's framers: On the one hand, if the project provided too little information, with the result that people really did not know about or understand SSP, then the project would not be a fair test of entry effects. On the other hand, if the project provided more information than people would have about a regular operating program, then it could induce people to change their behaviour in ways that would not be representative of what they would have done in response to a regular program. This dilemma meant walking a fine line between giving people enough information to make a decision about obtaining eligibility for future SSP benefits, without creating a marketing environment in which people were sold on the idea of changing their behaviour.

The solution was to identify an existing IA work incentive program that could provide a benchmark knowledge level that SSP would attempt to replicate. We chose an "earned income disregard" program that has been a part of the provincial welfare system in British Columbia for years. To provide an incentive to work when calculating welfare benefit amounts, the British Columbia IA system's rules did not count the first $200 in earnings (plus 25 percent of remaining earnings for 12 out of 36 months) for any single parent who went to work, provided the individual had received IA benefits for at least three months.[27] This "earned income disregard" program had been available to single parents for many years, and like SSP it was designed to make work pay. It allowed welfare recipients to combine earnings from work with welfare benefits, in effect increasing the total income of single-parent IA recipients who took jobs. Because the disregard was not available to people until they had received welfare for at least three months, it was not generally discussed with recipients at application. But it would have been explained subsequently, when welfare or employment staff discussed employment and training options with single parents. In addition, welfare recipients could and did learn about the earned income disregard program via word of mouth and from various advocacy and public interest groups that counseled and provided services to single parents.

The goal then was to provide enough information to SSP-eligible single parents so that they would have knowledge about SSP that was at least equivalent to what single-parent IA recipients knew about the earned income disregard program. As described above, this was accomplished by mailing eligible single parents information about the SSP program and by providing a toll-free telephone number they could call if they had questions. The decision was made not to provide in-person information sessions out of concern that they would in-

[26]Information might not be communicated perfectly because many IA recipients do not tell their friends, or even their children, that they are receiving IA benefits. For example, 23 percent of individuals in the entry effects experiment who were still on IA after 12 months reported that they had told none of their friends about being on IA. Among those who had left IA within 12 months, 33 percent reported that they told none of their friends. The importance of such "neighborhood" effects is discussed in the context of employment and training programs for welfare recipients by Garfinkel, Manski, and Michalopoulos (1992).

[27]These rules changed when a new structure named BC Benefits was introduced in January 1996.

evitably lead to "counseling" of eligible single parents to change their behaviour. In short, the entry effects test hinges on whether the project successfully conveyed a level of knowledge about SSP that was comparable with what was known about the provincial earned income disregard program.

Determining how well the information provided in the entry effects study mimicked these real-world channels requires data from program group members on their knowledge of the SSP supplement *and* from program and control group members on their knowledge of the IA system's earned income disregard.[28] Thus, in a follow-up survey administered 12 months after random assignment, program group members were asked a series of questions about the SSP supplement offer, while people in both the program and control groups were asked about several key features of the British Columbia IA program.[29] These features included the "earnings disregard," plus transitional child care, transportation, and related benefits available to IA recipients who find work and leave welfare.

Table 2 presents a summary of the responses to these questions. The first panel of the table reports data for the program group only on their knowledge of the SSP program. As shown in the top row of this panel, three-fourths of the program group recalled being informed of their potential eligibility. To probe participants' knowledge of SSP, the interviewers asked an open-ended question: "What does the Self-Sufficiency Project offer participants?" Fifty-five percent of the program group responded that it offered extra money if they took a job, or used similar language about a wage supplement (row 2a). People who did not specifically mention the income benefits of the program were then asked a direct question—"Does SSP offer extra money to participants if they get a job?"—and another 22.3 percent of respondents answered "yes." Summing the unprompted and prompted responses, 77.5 percent of the program group were aware that SSP offered extra income to participants (row 2b).[30]

Next, all individuals were asked a direct question on how long they had to stay on IA in order to gain eligibility. As shown in row 3 of Table 2, 52 percent correctly responded that they had to receive IA for a year in order to qualify.[31] Finally, individuals were asked an open-ended question about the other eligibility requirements for receiving the SSP supplement. Just over 60 percent of the program group mentioned that they had to find a job to

---

[28]Note that "real-world" had a different meaning in SSP's main recipient study. In the real-world operation of a program like SSP, our expectation was that the IA system would use its official powers to ensure that all recipients received information in the form of mailings when they became eligible for SSP and that they attended an information briefing about the project. Thus, long-term recipients would learn about the program from formal, official sources, as well as informal sources, while applicants and new recipients would hear about the program only via word-of-mouth and from advocacy groups; the welfare system would not contact them because they had not yet satisfied SSP's one-year-on-welfare eligibility requirement.

[29]A survey with similar questions was also administered to a subsample of 566 individuals in (roughly) the third month post-baseline. The results of this survey are very similar to the results for the 12-month survey.

[30]This finding presumably reflects an upper bound on knowledge of the financial benefits of SSP, because some of the prompted "yes" responses may be guesses.

[31]An additional 11.6 percent of the program group responded that they would get money from SSP if they were on IA for one year from the baseline interview or simply for one year, without giving a time frame of reference.

**Table 2**

**Entry Effects Demonstration**
**Knowledge of SSP and IA Program Rules**

| A. | Knowledge of SSP Program (Program Group Only) | Percent of Program Group |
|---|---|---|
| 1. | Responded "yes" to question: "Were you informed that you would be eligible for SSP?" | 75.1<br>(1.1) |
| 2a. | Without prompting responded that "SSP offers extra money if I get a job" (or similar language) | 55.2<br>(1.3) |
| 2b. | With or without prompting responded that "SSP offers extra money if I get a job" (or similar language) | 77.5<br>(1.1) |
| 3. | Responded to question: "How long does someone have to be on IA to receive money from SSP?" | |
| | One year from first IA cheque | 51.9<br>(1.3) |
| | Some other specified time | 17.1<br>(1.0) |
| | Don't know | 31.0<br>(1.2) |
| 4a. | Without prompting responded that someone must do the following to receive SSP: | |
| | Find a job | 61.2<br>(1.2) |
| | Leave IA | 25.7<br>(1.1) |
| | Work at least 30 hours per week | 37.9<br>(1.2) |
| | Enroll in school or training | 13.2<br>(0.9) |
| 4b. | With or without prompting knew that someone must do the following to receive SSP: | |
| | Find a job | 83.3<br>(1.0) |
| | Leave IA | 67.6<br>(1.2) |
| | Work at least 30 hours per week | 72.6<br>(1.1) |

(continued)

**Table 2 (continued)**

| | | Percent | | |
|---|---|---|---|---|
| B. | Knowledge of IA Program (Program and Control Groups) | Overall | Program Group | Control Group |
| 5. | Responded to question: "Can people earn money without affecting their IA benefit?" | | | |
| | Yes | 55.5 | 55.6 | 55.5 |
| | | (0.9) | (1.3) | (1.3) |
| | No | 30.7 | 30.8 | 30.7 |
| | | (0.8) | (1.2) | (1.2) |
| | Don't know | 13.7 | 13.5 | 13.9 |
| | | (0.6) | (0.9) | (0.9) |
| 6. | Responded "yes" to previous question, and knew the maximum amount is $200 per month | 25.7 | 25.1 | 26.3 |
| | | (0.8) | (1.1) | (1.1) |
| 7. | Responded to question: "If someone leaves IA for a full-time job, are there services or additional benefits they can apply for?" | | | |
| | Yes | 55.6 | 54.3 | 57.0 |
| | | (0.9) | (1.3) | (1.3) |
| | No | 21.7 | 23.1 | 20.3 |
| | | (0.7) | (1.1) | (1.0) |
| | Don't know | 22.6 | 22.5 | 22.7 |
| | | (0.8) | (1.1) | (1.1) |
| 8. | Sample size | 3,055 | 1,528 | 1,527 |

NOTES: Standard errors are shown in parentheses. Tabulations are based on responses to the 12-month survey.

qualify for benefits, with smaller fractions volunteering that they needed to leave IA and work at least 30 hours per week.[32] People who did not directly mention any of these three key requirements were then prompted with direct questions on the ones they missed. With prompting, the overall fractions of the program group who knew about the three key requirements ranged from 68 percent to 83 percent (see row 4b).

Based on these responses, we conclude that at least one-half and perhaps as many as three-fourths of the program group had relatively precise knowledge of the SSP program, including the fact that it would provide extra income, and that the key eligibility requirements were receipt of IA for a year and then leaving IA and holding a full-time job.

By comparison with our benchmark earned income disregard, as shown in the second panel of Table 2, 56 percent of individuals in both the program and control groups of the study knew that individuals on IA were allowed to earn extra money without a concomitant loss in their benefits, although only one-fourth knew the exact amount of the earnings disregard.[33] Similarly, about 55 percent of individuals knew that some services (such as child care subsidies) were available to individuals who left IA. These figures suggest that a majority of IA recipients and former recipients had some knowledge of long-established IA benefit provisions, although the knowledge was far from complete. Knowledge of the SSP supplement among program group members appears comparable with or even better than the knowledge welfare recipients had about the earned income disregard.

A second source of information on the extent of the program group's knowledge of SSP comes from the previously mentioned focus-group interviews with program group members. A total of 15 participants in two of these sessions had stayed on IA long enough to establish SSP eligibility (but were not yet formally notified of their status); their focus groups were held 11 months after they entered IA, just before the follow-up survey. Another 15 participants in two other sessions had left IA within 4 to 10 months after receiving the first IA cheque; for them, the length of time between entering IA and coming to the focus group varied but was generally between 12 and 24 months (and most had already completed the follow-up survey). Participants were recruited without mentioning SSP or the earnings supplement, and the focus group script did not mention SSP until the participants had engaged in unprompted discussions about their reasons for entering and leaving IA, and their attitudes toward IA versus work. When queried about the SSP supplement, however, 26 of 30 participants recalled the program.

Although some of those who recalled the program retained more details than others, all remembered hearing about SSP soon after they applied for Income Assistance. For example, even among those who had left welfare before they would have been sent their six-month reminder letter, most recalled receiving the original letter letting them know they were in the project, and most remembered being interviewed in their home by a Statistics

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[32]Note that 13 percent of individuals *incorrectly* mentioned that they had to enroll in schooling or training to receive SSP payments.

[33]It is possible that some persons who answered the disregard questions were already working and were confused by the question, thinking that it referred to earnings above the disregard amount, which does affect their IA benefit.

Canada interviewer. Asked directly to describe the offer, participants' responses included the following:

> That if you stayed on assistance for a year, when you found work they would subsidize and there were other little bonus perks that went along with it. But I didn't get all the details because I think like a lot of them, I didn't qualify. I got a job before . . .
>
> When you started work again they were going to help you . . . with x number of dollars while you were working to help you get back on your feet.
>
> . . . But then you can take a lower-paying job to build up your self-esteem to gather work experience to go on to a better-paying job to be able to support your child and not have to go back on Social Assistance.
>
> [You have] to be on Income Assistance for a year.
>
> It was a continuous 12-month thing because that's why when I read the letter I thought, "Poo, doesn't pertain to me." [This person said she planned to return to a job at the time.]
>
> I was just starting back to work so it didn't apply to me [indicating that she was aware of the time requirement].

Importantly, virtually all were aware that if they stayed on Income Assistance for 12 months, they could receive extra money if they left welfare for full-time work.[34]

These survey and focus group results confirm that individuals in the program group had substantial knowledge of the SSP supplement. Moreover, the information conveyed about SSP to the new applicants, which consisted of letters and brochures, seems to have mimicked what IA recipients might be expected to know about a "real-world" supplement program through word of mouth and other formal and informal means of communication.

## Impacts on Welfare Leaving and Job Taking

Recall that in order to qualify for SSP, a single parent must have received IA benefits for at least one year. The entry effects study takes advantage of this one-year waiting period by randomly assigning new applicants to welfare whose grants get approved as either program group members, who were told they would be eligible for SSP if they remained on welfare for one year, or as control group members, who would not become eligible for SSP. The key research question, answered by a comparison of program and control group welfare receipt patterns, is whether program group members prolong their stays on IA beyond those of control group members in order to gain SSP eligibility.

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[34]Two participants professed ignorance of the 12-month rule. Interestingly, this did not seem dependent upon the amount of information received, as one of these recipients remarked that SSP had contacted her three times.

Although program group members were informed that they had to remain on IA continuously for 12 months in order to qualify for the SSP earnings supplement, the actual eligibility criterion was relaxed slightly to permit up to one month off IA in the first 13 months after entering the system. This slippage was introduced to allow for the possibility that an individual might not receive a cheque in a certain month because of things like atypically high earnings, or an error by the IA system. By this measure, an individual in the program group (or, for comparison purposes only, the control group) was therefore counted as "potentially eligible for SSP" in a certain month if she had received an IA cheque in every month after her first cheque, or had missed at most one monthly cheque.

## Basic Impacts on IA-Related Outcomes

To determine whether this information about potential eligibility for a future supplement offer induced new recipients to prolong their stays on welfare in order to qualify for SSP a year hence, we now turn to comparisons of the IA recipient patterns in the program group and the control group in the entry effects study. We focus first on two IA-related outcomes and then on two labour-market-related outcomes for each month after random assignment. The IA-related outcomes are indicators for whether the individual is still potentially eligible for SSP 13 months after the time that random assignment occurred, and for whether the individual is receiving IA in any given month. Both of these variables are derived from IA records and are available for the full sample of 3,315 individuals in the applicant experiment. The two labour-market outcomes are indicators for whether the individual worked in the month and for total monthly earnings. These variables are derived from the 12-month survey, and are available only for the subset of 3,055 individuals who completed that survey.[35]

Figure 2 shows the fractions of individuals in the program group and control group who met the "potentially eligible for SSP" criterion through 13 months of follow-up. The figure shows a slight difference in the percent potentially eligible for SSP beginning to emerge between the program and control groups around month 5 of the follow-up period. This difference in favour of the program group grows somewhat through month 13. As explained further below, the difference is statistically significant, indicating that SSP did induce a slight increase in the percent of program group members who remained on IA for the required year.

[35] The response rates for the 12-month survey were 92.7 percent for the program group and 91.6 percent for the control group. The gap (1.1 percentage points) is not statistically significant (t=1.2). Since the 12-month survey was administered after individuals had been on IA for 11-12 months, and the baseline survey was conducted 0–4 months into the IA spell, the 12-month survey provides between 7 and 12 months of post-baseline labour market data. All individuals have 7 months of survey data; 99.7 percent have 8 months; 97.7 percent have 9 months; and 80.2 percent have 10 months of data.

**Figure 2**

**Entry Effects Demonstration**
**Fraction of Individuals Still Eligible for SSP: Program Group Versus Control Group**

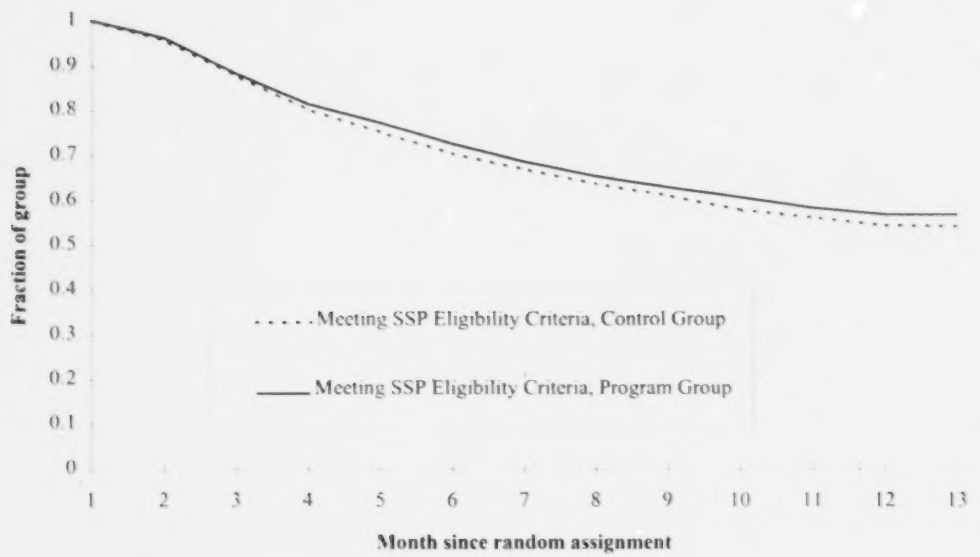
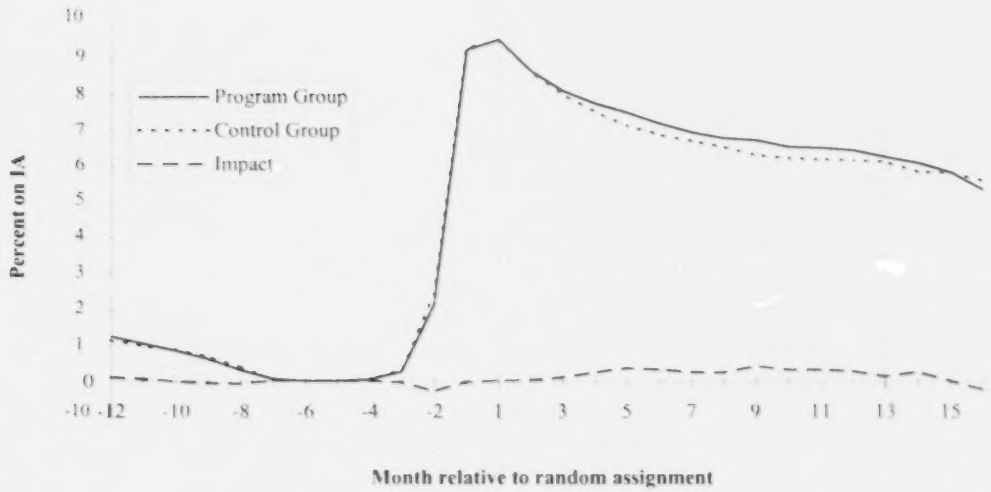



Figure 3 employs a simple on- or off-welfare measure for everyone in the study sample. It graphically illustrates several important features of the study's design. First, there is no noticeable difference between the program and control groups in receipt of IA before month 1, demonstrating that the random assignment process has created similar groups, a key criterion for valid comparisons. Second, in months –6 to –4, none of the sample was receiving welfare, confirming that the sample consisted of new applicants to welfare. Third (see months –4 to –1), it is important to keep in mind that different individuals may have received between zero and four IA cheques before their baseline interview. Thus, a few individuals actually reached SSP eligibility (that is, had amassed 12 months on IA) by the eighth month after random assignment, whereas some other individuals' final eligibility was determined only in month 13. As noted above, this is because IA's "prospective" payment rules could result in someone receiving a cheque from the local office imprest account for the last month, another cheque for the current month, and a third cheque for the coming month, each of which would appear for the first time on the IA payment system's computerized file in the same month. Typically, there was a delay of four to six weeks between the time an individ-

ual received her first regular IA cheque and the time of the baseline interview. Fourth, around follow-up month 5, program group members were slightly more likely to be receiving welfare. Finally, around month 16, a few months after program group members had established eligibility for SSP, program group members who were previously somewhat *more* likely to be receiving welfare were now *less* likely to be receiving it. This finding is most likely an effect of SSP; once eligible, program group members leave welfare for work and start receiving SSP supplement payments. Thus, the effect on IA receipt in month 13 may combine positive entry effects with negative "exit" effects resulting when qualified individuals take up the SSP supplement.

**Figure 3**

**Entry Effects Demonstration**
**Fraction of Applicants Receiving Income Assistance Benefits in Any Given Month**




In summary, the data in Figures 2 and 3 show evidence of a modest delayed exit effect among the program group relative to the control group. The magnitude of the effect is similar using either the fraction of people who remained potentially eligible for SSP for the entire period since receiving their first IA cheque, or the simple IA receipt variable. After a year, there is a 3.1 percentage point increase in the fraction of program group members, versus control group members, who were still on IA or were still potentially eligible for SSP.

Interestingly, the relative fraction on IA reversed by the sixteenth month, presumably reflecting the impact of SSP take-up by the program group.

Table 3 presents more detailed month-by-month information on the still-eligible rate and the percent on IA in a month, for the program and control groups. For each outcome variable in each month after random assignment, the table shows the mean outcome among the control group members, the mean outcome among the program group members, and the program impact—which is simply the difference in mean outcomes between the two groups. Although the randomized design ensures that valid program estimates can be obtained without controlling for the characteristics of individuals in the two groups, to obtain more precision the estimates are adjusted for program and control group differences in baseline characteristics.[36]

An examination of the program impacts in Table 3 suggests two key conclusions. First, the magnitude of the delayed exit effect among new IA applicants was relatively modest. By follow-up month 13, 54.1 percent of all control group members had remained on welfare for at least 12 of the first 13 months after entering IA, while 57.2 percent of program group members had done so. Taking the difference between these two averages, the program impact on final (month 13) SSP eligibility is a just statistically significant 3.1 percentage points. The SSP offer appears to have increased somewhat (from 54 to 57 percent) the fraction of program group members who delayed their exit from welfare long enough to meet SSP's eligibility requirement. The impacts on the fraction of the sample receiving IA were initially somewhat larger but similar in magnitude. By month 5, a 3.9 percentage point difference in the percentage receiving IA had emerged, a difference that rose to 4.3 percentage points in month 9, before falling to 3.0 percentage points in month 12, presumably because some of those with two to four months of IA before the baseline interview occurred had qualified for SSP in follow-up months 10, 11, and 12.

Second, and importantly, the fact that the estimated impacts were close to zero in the first few months after random assignment suggests that very few people who would normally leave IA within four months of coming onto the rolls are willing to extend their spell up to a full year in order to gain SSP eligibility. In light of this finding, we believe it is unlikely that the availability of the SSP supplement would induce many people who would otherwise not be on IA at all to enter welfare and stay for a full year—that is, a "new applicant" entry effect is unlikely.

While the delayed exit effects induced by the SSP supplement offer are quite modest, it is important to note that the eligibility behaviour of a majority of IA recipients could not be affected by the offer. In particular, there could be no program impact on the eligibility status of the 54 percent of the applicant population who would have remained on IA for a year even if no supplement offer was made to them (that is, the fraction of the control group who met the "potentially eligible for SSP" criteria in month 13 of the follow-up period). Thus, the eligibility status of

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[36]All program impacts are "regression adjusted" for random differences in baseline characteristics between the program and control groups by using the coefficient of a dummy variable for program group members in an ordinary least squares (OLS) regression model that includes 42 baseline characteristics as additional covariates.

**Table 3**

**Entry Effects Demonstration**
**Mean Income Assistance and Labour Market Outcomes and Impacts, by Program and Control Groups**

| | Percent Still Eligible for SSP | | | Percent on Income Assistance | | |
|---|---|---|---|---|---|---|
| Month | Control Group | Program Group | Estimated Impact | Control Group | Program Group | Estimated Impact |
| 1 | 100.0 | 100.0 | 0.0<br>-- | 95.2 | 95.4 | 0.2<br>(0.7) |
| 2 | 95.7 | 96.3 | 0.6<br>(0.7) | 86.2 | 86.6 | 0.4<br>(1.1) |
| 3 | 87.6 | 88.3 | 0.7<br>(1.1) | 79.8 | 81.0 | 1.2<br>(1.3) |
| 4 | 80.1 | 81.6 | 1.5<br>(1.3) | 74.9 | 77.5 | 2.6 *<br>(1.4) |
| 5 | 75.0 | 77.4 | 2.4 *<br>(1.4) | 71.0 | 74.9 | 3.9 ***<br>(1.5) |
| 6 | 70.2 | 72.7 | 2.5 *<br>(1.5) | 68.5 | 71.9 | 3.4 **<br>(1.5) |
| 7 | 66.7 | 68.8 | 2.1<br>(1.5) | 66.8 | 69.4 | 2.6 *<br>(1.5) |
| 8 | 63.5 | 65.5 | 2.0<br>(1.6) | 65.1 | 67.8 | 2.7 *<br>(1.6) |
| 9 | 60.9 | 63.1 | 2.2<br>(1.6) | 62.9 | 67.2 | 4.3 ***<br>(1.6) |
| 10 | 57.8 | 60.9 | 3.1 *<br>(1.6) | 62.1 | 65.4 | 3.3 *<br>(1.6) |
| 11 | 56.1 | 58.6 | 2.5<br>(1.6) | 61.7 | 65.1 | 3.4 **<br>(1.6) |
| 12 | 54.3 | 57.2 | 2.9 *<br>(1.6) | 61.5 | 64.5 | 3.0 *<br>(1.6) |
| 13 | 54.1 | 57.2 | 3.1 *<br>(1.6) | 61.1 | 62.6 | 1.5<br>(1.6) |

(continued)

**Table 3 (continued)**

| Month | Percent Employed | | | Average Monthly Earnings ($) | | |
|---|---|---|---|---|---|---|
| | Control Group | Program Group | Estimated Impact | Control Group | Program Group | Estimated Impact |
| 1 | 27.7 | 27.0 | -0.7 | 299.5 | 265.2 | -34.3 * |
| | | | (0.8) | | | (18.2) |
| 2 | 28.5 | 28.3 | -0.2 | 324.9 | 287.9 | -37.0 |
| | | | (1.1) | | | (21.1) |
| 3 | 29.5 | 30.5 | 1.0 | 351.1 | 326.9 | -24.2 |
| | | | (1.3) | | | (23.3) |
| 4 | 30.9 | 31.6 | 0.7 | 376.3 | 360.4 | -15.9 |
| | | | (1.3) | | | (25.3) |
| 5 | 31.9 | 34.0 | 2.1 | 394.7 | 390.0 | -4.7 |
| | | | (1.4) | | | (26.5) |
| 6 | 33.4 | 35.2 | 1.8 | 401.0 | 414.5 | 13.5 |
| | | | (1.4) | | | (27.1) |
| 7 | 34.3 | 35.9 | 1.6 | 406.9 | 427.0 | 20.1 |
| | | | (1.5) | | | (27.5) |
| 8 | 35.6 | 36.2 | 0.6 | 427.9 | 440.7 | 12.8 |
| | | | (1.5) | | | (28.3) |
| 9 | 36.5 | 37.9 | 1.4 | 444.3 | 445.6 | 1.3 |
| | | | (1.5) | | | (28.6) |
| 10 | 37.6 | 38.2 | 0.6 | 435.6 | 458.9 | 23.3 |
| | | | (1.7) | | | (31.7) |

SOURCES: SSP eligibility and income assistance outcomes are derived from Income Assistance records. Employment and earnings data are derived from the 12-month survey. The estimated impacts and control and program group means are derived from a regression model that includes 42 covariates and an indicator for individuals in the program group. See text for a list of the included covariates.

NOTES: Estimated standard errors are shown in parentheses.

Models for SSP eligibility and the probability of IA receipt are estimated on the full sample of 3,315 individuals in the SSP applicant study sample. Models for employment and earnings are estimated on subsamples of individuals who responded to the 12-month survey and reported the requisite months of data. For months 1-7 the sample size is 3,055; for month 8 the sample size is 3,045; for month 9 the sample size is 2,986; and for month 10 the sample size is 2,450.

Significance levels are as follows for impacts, two-tailed t-test: *10 percent, **5 percent, ***1 percent.

roughly half (54 percent) of all new IA applicants was presumably unaffected by the offer of SSP. A 3.1 percentage-point impact on the overall fraction of individuals eligible for SSP suggests a behavioural change in roughly 1-in-15 of the remaining population (46 percent).

### Labour Market Impacts

The second panel of Table 3 and Figures 4 and 5 show the means and program impacts for the two labour market outcomes.[37] The labour market data for the control group show steadily increasing employment and earnings in the months following random assignment. Although it might have been expected that the delayed IA exit behaviour of the program group would be reflected in a parallel "delayed labour market entry" effect (that is, a negative impact on the labour market outcomes), in fact, the program group had slightly bigger gains in employment and earnings than did the control group. Closer examination of the data (not reported in Table 3) reveals that the probability of working while receiving IA rose slightly in the program group relative to the control group, whereas the probability of working and not receiving IA fell slightly.[38] Since neither relative effect is significant in most months, however, it is not at all clear that these differences or patterns have any practical meaning.

### Time Pattern of the Impacts

Although the monthly program impacts on SSP eligibility in Table 3 are all small and somewhat imprecise, it is interesting to study the time pattern of impacts in the later months of the experiment. In particular, it is interesting to ask whether the 12-month eligibility criterion leads to a bigger impact on the behaviour of the program group as the eligibility threshold approaches. For example, in any given month, a certain fraction of both the control group and the program group who are still on welfare may learn of new job opportunities or resolve the personal problems that prevent them from working. The availability of SSP might be expected to lead some program group members in this situation to remain on IA, even though they would leave IA if they were in the control group. Furthermore, the fraction of the program group who decided to wait until the end of their eligibility window before leaving IA might be expected to rise as the number of additional months on IA needed to establish SSP eligibility falls. Such behaviour would lead the estimated program impacts to widen toward the end of the eligibility

[37]The labour market impacts for each month are derived using the sample of individuals with labour market data for that month. For months 1–7 the sample size is 3,055 (1,528 control group members, 1,527 program group members); for month 8 the sample size is 3,045 (1,521 control group members, 1,524 program group members); for month 9 the sample size is 2,986 (1,493 control group members, 1,493 program group members); and for month 10 the sample size is 2,450 (1,241 control group members, 1,209 program group members).

[38]It is possible that in anticipation of becoming eligible for SSP and working full-time, some program group members might take part-time jobs in the months following random assignment, so that employment would actually be higher among program group members relative to control group members.

**Figure 4**

**Entry Effects Demonstration**
**Average Monthly Earnings, Applicant Sample**

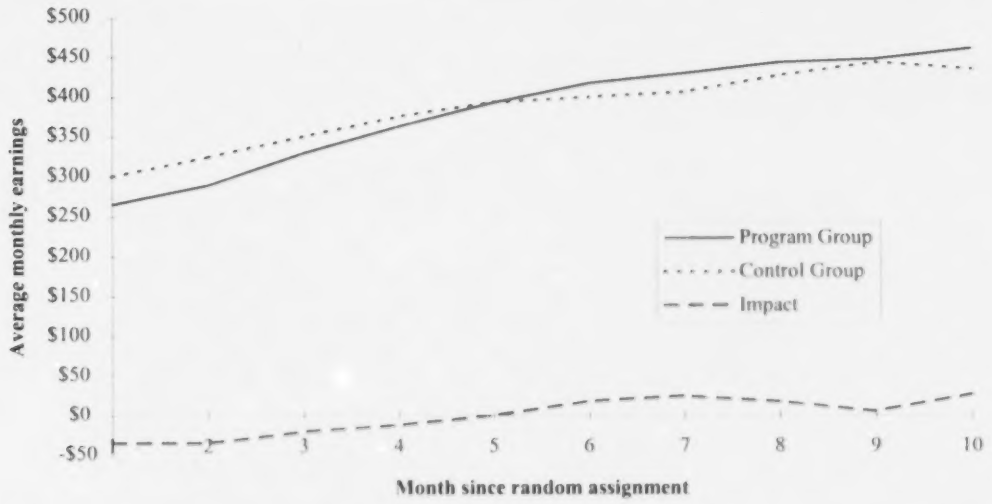
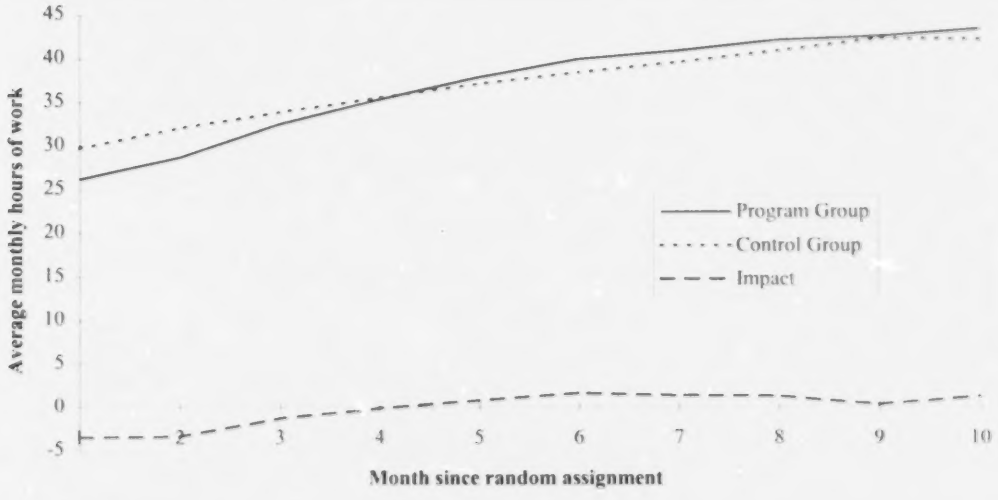



**Figure 5**

**Entry Effects Demonstration**
**Average Monthly Hours of Work, Applicant Sample**



window.[39] Examination of the data in Table 3 shows limited evidence of widening impacts in the last months of the experiment. For example, between months 9 and 13 the adjusted impact on SSP eligibility rose by nearly one percentage point.

Unfortunately, because month 9 includes data for individuals who had been on IA for 9 to 13 months, it is difficult to draw precise inferences on the time pattern of the program impacts.[40] To investigate timing issues more clearly, we re-estimated the impacts for the 70 percent of the sample who had received exactly one IA cheque prior to random assignment. All the program group members of this subsample reached the end of their SSP eligibility determination period in month 12 of the experiment. The estimated impacts for this one-cheque subsample are presented in Table 4 and show a pattern that is similar to the estimates in Table 3, although the magnitudes of the overall program effects on SSP eligibility and IA recipiency are slightly smaller than the impacts for the overall sample, and none of the differences is statistically significant. As in Table 3, the program impacts for the one-cheque subsample rose slightly over the last four months of the experiment but showed no pronounced increases in the last one or two months.

An alternative way of examining the timing issue is to align the data for all individuals by the number of months since entering welfare. Aligning the data in this manner (not shown) produced results similar to those shown in Tables 3 and 4.[41] The size of the impact—that is, the difference in the percent of program versus control group members on IA—tends to increase over time, but there are no sharp jumps in the eleventh or twelfth month on welfare.

It may seem surprising that the availability of SSP did not have a stronger impact on IA receipt near the end of the eligibility window, when program group members who were still eligible needed only a few more months on IA to establish eligibility. At least part of the explanation can be found in the control group's IA behaviour. Most applicants who would have left the rolls within a year of coming on IA had already done so by months 11 and 12. Thus, the fraction of individuals on IA in the control group declined only marginally during the latter months of eligibility for SSP—and since the impact is simply the difference between the program and control group in the percent who still meet the "potentially eligible for SSP" criteria, then the size of the impact cannot grow either if neither program nor control group members leave the rolls in these months.

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[39]Note that the potential magnitude of any widening is limited by the rate the *control* group loses SSP eligibility. For example, if all the program group members who were still eligible for SSP in month 10 (60.7 percent) had stayed on welfare for the next two months, the growth in the magnitude of the program impact from month 10 to month 12 would equal the fraction of the control group who left IA in months 11 and 12 (3.4 percent of the control group).

[40]As noted earlier, by months 9, 10, and 11, about 23 percent of the sample would have met SSP's 12 of the last 13 months' eligibility criteria, and could begin to leave welfare and receive the supplement payments.

[41]A disadvantage of this approach is that different individuals in the program group have known about the availability of SSP for differing amounts of time.

**Table 4**

**Entry Effects Demonstration**
**Mean Income Assistance and Labour Market Outcomes and Impacts, by Program and Control Groups, for the Subset of Individuals with One IA Cheque Prior to Random Assignment**

| | Percent Still Eligible for SSP | | | Percent on Income Assistance | | |
|---|---|---|---|---|---|---|
| Month | Control Group | Program Group | Estimated Impact | Control Group | Program Group | Estimated Impact |
| 1 | 100.0 | 100.0 | 0.0<br>-- | 95.8 | 95.4 | -0.4<br>(0.8) |
| 2 | 96.6 | 96.3 | -0.3<br>(0.8) | 87.7 | 86.4 | -1.3<br>(1.3) |
| 3 | 89.4 | 87.9 | -1.5<br>(1.3) | 80.9 | 80.6 | -0.3<br>(1.5) |
| 4 | 81.0 | 81.3 | 0.3<br>(1.5) | 75.4 | 77.2 | 1.8<br>(1.7) |
| 5 | 76.1 | 77.3 | 1.2<br>(1.7) | 71.9 | 74.4 | 2.5<br>(1.8) |
| 6 | 71.3 | 72.6 | 1.3<br>(1.8) | 69.2 | 70.9 | 1.7<br>(1.8) |
| 7 | 67.6 | 68.2 | 0.6<br>(1.8) | 67.4 | 68.2 | 0.8<br>(1.8) |
| 8 | 64.3 | 64.7 | 0.4<br>(1.9) | 65.7 | 66.5 | 0.8<br>(1.9) |
| 9 | 61.5 | 62.3 | 0.8<br>(1.9) | 63.2 | 65.7 | 2.5<br>(1.9) |
| 10 | 58.2 | 60.0 | 1.8<br>(1.9) | 61.9 | 63.9 | 2.0<br>(1.9) |
| 11 | 56.3 | 57.5 | 1.2<br>(1.9) | 61.6 | 64.0 | 2.4<br>(1.9) |
| 12 | 53.9 | 55.7 | 1.8<br>(1.9) | 61.7 | 63.4 | 1.7<br>(1.9) |
| 13 | 53.9 | 55.7 | 1.8<br>(1.9) | 62.0 | 61.5 | -0.5<br>(1.9) |

(continued)

**Table 4 (continued)**

| Month | Percent Employed | | | Average Monthly Earnings ($) | | |
|---|---|---|---|---|---|---|
| | Control Group | Program Group | Estimated Impact | Control Group | Program Group | Estimated Impact |
| 1 | 26.9 | 26.1 | -0.8<br>(0.9) | 275.4 | 265.5 | -9.9<br>(21.1) |
| 2 | 28.1 | 28.3 | 0.2<br>(1.3) | 300.6 | 286.9 | -13.7<br>(24.7) |
| 3 | 28.8 | 31.2 | 2.4<br>(1.5) | 329.5 | 328.9 | -0.6<br>(27.1) |
| 4 | 30.3 | 32.3 | 2.0<br>(1.6) | 354.7 | 365.9 | 11.2<br>(29.7) |
| 5 | 31.6 | 34.7 | 3.1 *<br>(1.7) | 372.6 | 397.8 | 25.2<br>(31.2) |
| 6 | 33.0 | 35.9 | 2.9 *<br>(1.7) | 379.1 | 425.6 | 46.5<br>(31.9) |
| 7 | 34.4 | 36.5 | 2.1<br>(1.8) | 384.2 | 434.7 | 50.5<br>(32.2) |
| 8 | 36.0 | 36.8 | 0.8<br>(1.8) | 408.9 | 446.2 | 37.3<br>(33.1) |
| 9 | 36.5 | 38.2 | 1.7<br>(1.8) | 427.8 | 450.6 | 22.8<br>(33.5) |
| 10 | 37.5 | 38.8 | 1.3<br>(1.9) | 429.0 | 465.9 | 36.9<br>(33.9) |

SOURCES: SSP eligibility and Income Assistance outcomes are derived from Income Assistance records. Employment and earnings data are derived from the 12-month survey. The estimated impacts and control and program group means are derived from a regression model that includes 42 covariates and an indicator for individuals in the program group. See text for a list of the included covariates.

NOTES: Estimated standard errors are shown in parentheses. Models for SSP eligibility and the probability of IA receipt are estimated on the full sample of 3,315 individuals in the SSP applicant study sample. Models for employment and earnings are estimated on subsamples of individuals who responded to the 12-month survey and reported the requisite months of data. For months 1-7 the sample size is 3,055; for month 8 the sample size is 3,045; for month 9 the sample size is 2,986; and for month 10 the sample size is 2,450.

Significance levels are as follows for impacts, two-tailed t-test: *10 percent, **5 percent, ***1 percent.

## "Informed" Versus "Uninformed" Program Group Members

Although the evidence from the self-reported responses in Table 2 suggests that 50–75 percent of the program group had a fairly precise knowledge of the SSP program, a sizable minority were relatively poorly informed. Judging by welfare recipients' knowledge of *other* Income Assistance features, however, some people would be unfamiliar with the supplement program even if SSP were a permanent feature of the IA system. Nevertheless, some readers may be concerned that the program impacts estimated in Table 3 would be larger if more of the program group were fully informed about the nature of SSP. Since all members of the program group were provided with the same information, it is not possible to conduct an experimental evaluation of the effects of different levels of information on the magnitude of the delayed exit effect. As an alternative, the responses to the question "How long does someone need to be on Income Assistance to receive money from SSP?" were used to divide the program group into those who were well informed about SSP (as of the 12-month survey) and those who were less informed.[42] Just over one-half of the program group correctly answered "one year from the first IA cheque" and were defined as well informed by this criterion (see Table 2). We then compared SSP eligibility and IA recipiency rates of the informed and uninformed subgroups with the rates of the control group.[43]

Since knowledge of SSP was measured in the 12-month survey, we can only distinguish between informed and uninformed program group members within the subset of respondents to that survey. We therefore restrict attention to program and control group members who responded to the 12-month survey. The first four columns of Table 5 show the regression-adjusted fractions of the control group, the overall program group, and the informed and uninformed subsets of the program group who remained on IA (with no more than one month off) in different months after random assignment. Looking at month 13, 56.1 percent of control group members, 59.6 percent of program group members, 60.9 percent of "informed program group members," and 58.3 percent of "uninformed program group members" met SSP's "potentially eligible" criterion of receiving welfare benefits for at least 12 out of the first 13 months since entering the system.

The next column shows regression-adjusted estimates of the impact of the supplement offer on potential SSP eligibility for all program group members who responded to the survey, relative to the survey respondents in the control group. Looking again at month 13, subtracting the 56.1 percent of all control group members from the 59.6 percent of all program group members yields a 3.5 percentage point difference between the two groups. These impacts show a time pattern that is similar to the estimates in Table 3, although the impact

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[42]Recall that the 12-month survey was administered *just before* individuals in the program group were informed of their SSP eligibility status.

[43]It is important to underscore that such comparisons are not necessarily valid, since individuals in a *selective* subset of the program group may differ systematically from members of the overall control group. Some of these differences may be eliminated by controlling for observed characteristics in a standard regression framework. Other unobserved differences may persist, however, leading to differences in behaviour that are not attributable to a true program effect.

**Table 5**

**Entry Effects Demonstration**
**Mean Income Assistance and Labour Market Outcomes and Impacts, by Program and Control Groups, Overall Sample of Respondents to the 12-Month Survey, and Informed Versus Uninformed Program Group Members**

| | Percent Still Eligible for SSP | | | | Estimated Program Impacts | | | |
|---|---|---|---|---|---|---|---|---|
| | | Program Group | | | | Informed Program Group Relative to | Uninformed Program Group Relative to | |
| Month | Control Group | All | Informed | Uninformed | All Respondents | Control Group | Control Group | Difference (Informed-Uninformed) |
| 1 | 100.0 | 100.0 | 100.0 | 100.0 | 0.0 | 0.0 | 0.0 | -- |
| | -- | -- | -- | -- | -- | -- | -- | |
| 2 | 95.5 | 96.3 | 96.5 | 96.1 | 0.8 | 1.0 | 0.6 | 0.4 |
| | | | | | (0.7) | (0.8) | (0.9) | |
| 3 | 87.3 | 88.3 | 88.4 | 88.1 | 1.0 | 1.1 | 0.8 | 0.3 |
| | | | | | (1.1) | (1.4) | (1.4) | |
| 4 | 79.9 | 82.2 | 83.2 | 81.1 | 2.3 * | 3.3 ** | 1.2 | 2.1 |
| | | | | | (1.3) | (1.6) | (1.7) | |
| 5 | 75.0 | 78.4 | 79.3 | 77.4 | 3.4 ** | 4.3 ** | 2.4 | 1.9 |
| | | | | | (1.4) | (1.7) | (1.8) | |
| 6 | 70.9 | 74.1 | 74.9 | 73.3 | 3.2 ** | 4.0 ** | 2.4 | 1.6 |
| | | | | | (1.5) | (1.9) | (1.9) | |
| 7 | 67.8 | 70.5 | 71.9 | 69.0 | 2.7 * | 4.1 ** | 1.2 | 2.9 |
| | | | | | (1.6) | (1.9) | (1.9) | |
| 8 | 65.0 | 67.6 | 69.3 | 65.8 | 2.6 * | 4.3 ** | 0.8 | 3.5 |
| | | | | | (1.6) | (1.9) | (2.0) | |
| 9 | 62.6 | 65.2 | 66.9 | 63.4 | 2.6 * | 4.3 ** | 0.8 | 3.5 |
| | | | | | (1.6) | (2.0) | (2.0) | |
| 10 | 59.4 | 63.0 | 64.8 | 61.0 | 3.6 ** | 5.4 *** | 1.6 | 3.8 |
| | | | | | (1.6) | (2.0) | (2.0) | |
| 11 | 57.9 | 60.9 | 61.8 | 59.9 | 3.0 * | 3.9 * | 2.0 | 1.9 |
| | | | | | (1.7) | (2.0) | (2.1) | |
| 12 | 56.2 | 59.6 | 60.9 | 58.3 | 3.4 ** | 4.7 ** | 2.1 | 2.6 |
| | | | | | (1.7) | (2.0) | (2.1) | |
| 13 | 56.1 | 59.6 | 60.9 | 58.3 | 3.5 ** | 4.8 ** | 2.2 | 2.6 |
| | | | | | (1.7) | (2.0) | (2.1) | |

NOTES: Standard errors are shown in parentheses. Samples include only individuals who completed the 12-month survey (1,527 control group members and 1,528 program group members). "Informed program group" refers to the set of 793 individuals who were aware of the 12-month eligibility rule for the SSP program at the time of the 12-month survey. "Uninformed program group" refers to the set of 735 individuals who were not aware of the 12-month eligibility rule. Estimated program impacts and control an program group means are obtained from a regression model that pools all control group members and program group members and includes dummies for informed and uninformed programs, as well as 42 other covariates. None of the differences in adjusted impacts between the informed and the uninformed groups (last column above) is statistically significant at the 10 percent level or lower.

Significance levels are as follows for adjusted impacts, two-tailed t-test: *10 percent, **5 percent, ***1 percent.

estimates for the *subsample* of respondents to the 12-month survey are slightly larger in magnitude than the estimates for the *full* sample in the applicant experiment.

Comparisons of SSP eligibility within the two subsamples of the program group show that after adjusting for differences in education and other observed characteristics between the informed and uninformed groups, the informed program group may be somewhat more likely to have remained on IA and retained SSP eligibility than the uninformed program group.[44] Nevertheless, the impacts for the informed and uninformed subgroups are suggestive. On the one hand, the adjusted impacts for the *uninformed* program group are small and uniformly insignificant, consistent with the hypothesis that few uninformed individuals could actually know enough about the SSP offer to change their behaviour. On the other hand, the adjusted program impacts of about 5 percentage points for the *informed* subsample are about 30 to 40 percent larger than the adjusted impacts for the program group as a whole, and they are statistically significant throughout the later months of the eligibility determination period. These comparative results between the informed and uninformed groups should be treated cautiously because the estimated impacts for the two groups are not statistically different from each other.

It is possible (but by no means necessarily the case) that these adjusted impacts represent an upper bound on the impacts that would be observed if much more intensive information was disseminated about SSP. In particular, two things must be true for the adjusted impacts of the informed subgroup to represent such an upper bound. First, there can be no unobserved differences between individuals in the informed subgroup and the control group that lead to differences in their IA participation behaviour. Second, the behavioural effect of the SSP supplement offer must be the same for the informed subgroup and for people in the uninformed group who could potentially respond to the SSP offer if they understood it. Since we do not know whether these two conditions are satisfied, we want to underscore that the estimates in Table 5 are suggestive only and must be interpreted with caution.

## Summary of Impact Estimates

To summarize, the impact estimates in Table 3 and Figures 2 through 5 suggest a modest delayed exit effect on the welfare participation of the program group, but no corresponding reduction in labour market activity. The estimated impacts on potential SSP eligibility and IA receipt emerge near the fifth month of the experiment and peak near the close of the 12-month eligibility window. The peak impacts are about 3 percentage points, and are just significant at conventional significance levels. From results not reported here,

[44]The raw or unadjusted means actually show the opposite effect; the uninformed group was slightly more likely than the informed group to remain on IA. But when regression adjustments for the *observed* differences in the characteristics of the different subgroups were used to make the two groups comparable, the adjustments raised the program impacts for the informed group and lowered them for the uninformed group. The result was a high likelihood of remaining on IA for the informed group. The adjustment makes the two groups more comparable in their likelihood of leaving IA for reasons other than information about SSP and thus makes it more likely that the differences in adjusted means are reflecting differences in information rather than differences in other characteristics of the sample. See Card, Robins, and Lin (1997: 30) for additional information.

there is no indication that the program impacts vary systematically across individuals with different baseline characteristics, although this lack of variation might be explained by the modest magnitude and only limited statistical significance of the overall program impacts. Finally, program impacts for the roughly 50 percent of the program group who were well informed about SSP near the end of their 12-month waiting period for potential eligibility are about 30–40 percent larger than the impacts for the entire program group. These impacts suggest an upper-bound estimate of about 5 percentage points on the delayed exit effect of the SSP supplement offer, if all IA applicants were well informed.

## Focus Groups: The Applicants Explain

The small size of these entry effects is surprising. Experience with the Ontario STEP program mentioned earlier, and nonexperimental estimates of entry effects in training programs where eligibility is tied to welfare receipt, suggest that a generous program like SSP might induce a large fraction of single parents who were already on the rolls to delay their exits. To learn why it did not, we asked the single parents themselves.[45] As noted previously, focus group interviews were conducted with (1) applicant study members who left welfare too soon to take advantage of the SSP offer (Supplement Ineligibles), and (2) those who had remained on Income Assistance long enough to qualify for the supplement (Supplement Eligibles).[46] Eligibles and Ineligibles were interviewed separately because their experiences were different: The first group chose to remain on welfare, and we wanted to know whether SSP was the cause. The latter group chose to leave, and here we wanted to know why SSP did not cause them to change their behaviour.

In conducting these focus group discussions, we wanted to know not only the degree to which the supplement offer had influenced their thinking about remaining on Income Assistance, but also what else was going on in their lives at the time: What were the relative roles of their individual circumstances and the supplement offer in the decision to leave or remain on welfare? And how did participants view the trade-off between the supplement's strong inducement to remain on welfare and their aversion to welfare's stigma?

The answers were consistent with the quantitative results. In contrast to the notion that the offer would loom large in their minds and cause some to stay the requisite 12 months, the offer appeared to play a minor role, if any, in the stay-versus-leave decisions made by these single parents. Out of the 30 focus group participants, only 2 cited the supplement offer as a motivation for remaining on Income Assistance.[47] In general, when they

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[45]Focus groups were held before researchers knew the final impact results.

[46]Four focus groups were created. Participants for the Supplement Eligible groups were recruited from a cohort who had qualified for the supplement but had not yet been notified of their eligibility and had not yet attended the in-person SSP orientation explaining the program. Participants for the Supplement Ineligible groups were selected from program group members who had left Income Assistance between 4 and 10 months of IA receipt.

[47]One person unintentionally disqualified himself by an action that caused him to lose his Income Assistance benefits for 2 months out of the 13-month period used to ascertain eligibility. He was a member of one of the Ineligible focus groups. In the other case, a woman had remained on Income Assistance long enough to

*(continued)*

entered the welfare system, those in the Ineligible group had their minds fixed on leaving it and were not open to considering options that involved remaining any longer than was absolutely necessary. Similarly, Eligibles who had remained on welfare the requisite amount of time to qualify for the supplement spoke of it as a serendipitous event occasioned by the fact that other circumstances had precipitated an extended stay.

## Leaving IA: The Ineligibles

What distinguishes those who left welfare from those who remained on welfare long enough to qualify for the supplement? In the discussions held with Ineligibles, a number of questions and exercises were directed toward discovering the answer to this question. First, it was important to understand what their intentions were at the time they applied for Income Assistance. Did they look upon welfare as a very short-term, pragmatic solution to a family crisis, or as a long-term solution? Second, when leaving became an option, what did they perceive they'd be giving up? That is, what were the trade-offs in leaving Income Assistance? Third, what barriers did they face and how did they overcome these barriers? Finally, when they were trying to balance the stay-versus-leave equation, was the supplement offer considered an important factor in the choice?

Most Ineligibles said they had no intention of remaining on welfare for any length of time. Asked how long they had expected to need Income Assistance when they first applied, most participants said two or three months. Those who had expected a longer stay had health issues to deal with, or children not yet in school.

Asked why they had wanted to leave Income Assistance, Ineligibles' responses fell into the following three major reasons: (1) they wanted more money, (2) they placed a high value on self-reliance and on the work ethic, and (3) their IA recipient status conflicted with their sense of self-identity. For instance, Pauline, a former social worker who had applied for IA after leaving an abusive relationship, said she wanted to leave Income Assistance because being an IA recipient goes against her sense of self: "I'm a giver and I have a very hard time being a taker." Others said that they had never looked upon IA as more than temporary help. As one woman said: "I was working hard finding a full-time job so, once I found it, I had no problem [leaving IA]."

When asked whether the trade-off for work was worth it, virtually all Ineligibles produced a resounding "yes." Darlene felt "you get more out of life if you go ahead and shake the tree than if you just stand beside it in the shade." She added that, for her, "shaking the tree" requires active involvement in the work world: "I mean, I went to school and I grew as a person, but to be an active participant in society where I felt I really had a voice, and I was growing, and I was doing things, too—like it wasn't happening to me: I was happening to it." Stephanie said she, too, felt the trade-off was worthwhile, if only because her children then had an example of a working parent. From these responses we get a pretty clear picture of Ineligibles as people with a strong work ethic, who are thinking of the future and who, with older children, are situationally better placed to pursue that future.

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see her son in school and then decided to remain the extra month it would take for her to become eligible for the supplement.

While some recipients were actually able to leave IA within a couple of months of their expected departure, most exits were delayed by several months. For this study, we needed to know whether the supplement offer figured into those "delayed exits," so we asked Ineligibles about the kinds of situations that made leaving more difficult for them. They most frequently cited difficulty finding work, followed by health issues. No one said she would have stayed on Income Assistance longer than she'd planned in order to collect the SSP supplement.

Difficulty finding work was a real issue for many participants because they hadn't anticipated such a problem. As Stephanie said, "When I was laid off, I just naively assumed that this pattern [working] would continue, and it didn't. After the first couple of months of not being able to get another job, it just hit me like a rock that this was not happening." In a few cases, older participants cited their age as a factor working against them, with one woman recalling an incident in which she had called about a job only to discover that all interest in her ended once her age was known. Nathan, who had been laid off from a well-paying job he had held for many years, found his inability to find new work added to the depression he was already experiencing and that, in turn, made it more difficult to find the energy and self-confidence to carry out an effective job search. Martha faced difficulties because she had no recent work experience and felt the knowledge she had once possessed was outdated: "I hadn't worked in four years; in four years you don't know anything about computers anymore." Tammy said she had put in six months of "constant" looking: "I did temp work in between interviews; I scoured the papers. . . . Everyday was a workday trying to find a job."

Longer IA stays were also experienced by a number of participants who needed to work through physical or emotional problems before they could contemplate leaving. Stephanie applied for Income Assistance after she was laid off from her job, an event that coincided with the breakup of her marriage. She said, "I had a lot of emotional damage that needed to be dealt with because of the split up. . . . The closet door basically began to open up and all this garbage started coming out and I had to clean it." Finally, Carla spent most of her qualifying year recovering from an injury. She says she left IA to attend an Unemployment Insurance (UI)-sponsored educational program shortly before she would have qualified for the supplement. Finally, for a few participants, going to school delayed their re-entry into the work world.

Of the 15 participants in the two Ineligible focus groups, eight left Income Assistance because they found work; three left to go to school; one left unintentionally (see footnote 47); one left as part of an on-again/off-again pattern of welfare dependency occasioned by times when she would reunite with her husband, and times when he would have work; and one participant left when she and her husband were reunited for a brief period of time.

***SSP's influence on ineligibles.*** We deliberately avoided mentioning anything about SSP during the focus group discussions until participants had been given ample opportunity to volunteer whether this potential income enhancer might have tempted them to stay on Income Assistance. Interestingly, when asked what kinds of things might have held them back from leaving IA, only one of the 15 Ineligibles participating in the groups mentioned the offer they had received from the Self-Sufficiency Project, even when asked directly

whether they had ever considered staying on IA longer in order to take advantage of any special programs or services.

Participants were then reminded about the Project and about the income supplement they had forfeited by leaving Income Assistance before the requisite 12 months. When it became clear that all were familiar with SSP, the moderator asked them whether, when they were making the decision to leave Income Assistance, they had thought of what they might be giving up. One group's unanimous response was: "It didn't even enter my mind." Of the 15 Ineligibles who participated in these groups, only three said they had been tempted by the offer to stay and, of those, only one—as we earlier heard—had actually intended to stay long enough to take advantage of it. Nathan argued that "most people's focus is to get back to work," a contention that would seem to be supported by the following responses to the question, "Why not wait?":

> I just wanted to get back to work. I wanted to feel better about what I was doing with my life. I didn't want to get Income Assistance.
>
> I had no intention of sitting on welfare for a year, just to qualify.
>
> I had just finished my course and I felt if I didn't take the opportunity to take the job that was offered to me or even have to look for one in that field, then I would lose what I had learned by the time I went back to work.
>
> A year is a long time to be in welfare purgatory. (Yeah, yeah.) A year is a long time to say "Okay, I'll put my self-esteem and my self-direction on hold just to get a bit of extra money and health care."
>
> If you really go on Social Assistance thinking it's going to be a short-term thing, you see it as a drawback to have to wait six months.
>
> I didn't even consider it. I thought, "No, I have other plans. This is temporary for me." I had my life ahead of me.
>
> It wasn't worth it. I could achieve more on my own.
>
> I didn't like the idea of anyone else being in control of my life in any way, shape, or form. Never even considered it. And I never even bothered to find out how much would have been involved and what the perks were. Didn't care.

That last statement may hold the key to Ineligibles' behaviour regarding the supplement: Most paid very little attention to the offer because the offer held little importance for them. Most Ineligibles had been working before needing Income Assistance, and most planned to get back into the work force within a short period of time. Although some were skeptical and some foresaw little financial gain from the offer, there were also some who found the idea interesting and even attractive. Nevertheless, these single parents had no intention of waiting out the requisite months in order to take up the supplement. Most preferred work, and even though finding work was difficult for some, and others had to overcome a range of barriers before going to work, waiting to establish supplement eligibility

was not an option they considered seriously. Those who were employed used words like "fabulous" and "I love my job" to describe their work.

## Remaining on IA: The Eligibles

In the Eligibles' focus groups, we wanted to know what circumstances necessitated their application for benefits, how long they expected to remain on welfare, what work barriers they faced, and what role, if any, the supplement played. Unlike Ineligibles, Eligibles did not enter the IA system with the expectation that they would be leaving it within two or three months. When asked, they indicated that at the time they had applied for Income Assistance, they were either unsure how long they would require this assistance, or saw it as lasting for periods of up to five years. Only in a very few cases had participants looked upon their use of Income Assistance as lasting only until they could find a new job.

The circumstances driving Eligibles to seek assistance differed from those for Ineligibles: Where Ineligibles tended to have experienced some kind of work interruption, Eligibles were more likely to have sought assistance following a relationship breakdown. While several, especially those who had left abusive relationships, expressed relief at escaping this situation, the loss of their partner's income remained a hardship.

Asked to cite the main obstacles preventing them from leaving Income Assistance, Eligible participants offered the following reasons, presented in order of proportional importance: (1) finding a job, especially a "good job," (2) the perceived need for further education and/or job training, (3) dealing with personal issues like low self-esteem or depression, or recovering from a traumatic marital breakdown or past abusive relationship, and (4) concerns about finding and using child-care providers. Often, of course, as the following stories illustrate, these single parents had multiple barriers.

Beverly said her children were old enough now so she could go back to work, but she thought the kind of job she could get wouldn't pay much more than what she was receiving from Income Assistance. She said before going back to work, she wanted to go back to school so that, eventually, she would be able to have a "career" rather than just a job. When Beverly talked about the obstacles along her path, it became evident that she suffered from a poor self-image and a lack of direction about her future. She said she needed help finding out what courses to take in school, and what jobs to pursue. Then, she said, once she knew what she had to do, she would need to find the "confidence" to actually get the kind of job that would make her happy. Beverly also felt that an immediate return to full-time work would be stressful for her children, and she felt that going to school for a period of time would provide them a gentler transition. Later, listening to her describe the obstacles along her path, we learned that she worried about the "emotional upheaval" her children suffered because of their parents' separation and their need to build a new relationship with their father.

Elsie, again, said that work was important "because that's where your self-esteem comes from," but she felt that her high school education was not enough to enable her to find the kind of job that would support her and her children in the future. She worried that because her existing skills and experience were limited—she had worked only as a cashier—her career opportunities were also limited:

> I keep looking at [she named a supermarket store] and think I could stick it out there and eventually get 30 hours or something, and they make good money there, but then you look at everybody there and there's nobody in their 40s. So, what do you do after you've spent 10 or 15 years working in a store?

Amina had low job-skill levels and knew that she could only get a low-paying job, but she felt that work was a must for herself and her child: "If I work, my baby can go to daycare and he can learn a lot of things." Amina was also very uncomfortable being an IA recipient: "In my lifetime, it's my first time on Income Assistance." A recent immigrant to Canada, she had been living with her husband in Ontario but, when her marriage broke up, she moved to Vancouver and since then had been unable to find work. She said she would like to get training so she could get a better job.

Leslie also talked about needing some "upgrading" and the need to learn some new skills but, in her case, it was because she had been away from the work force for too many years. However, Leslie also had significant concerns regarding the quality of caregiver she could find to take care of her toddler. She said she knew she needed to put aside some of her fear around child care "so I can get out and be productive and get some self-esteem back."

Finally, Bertha, Amy, Lara, and Rose maintained that until their children were older and in school, Income Assistance would continue to play a major role in their lives. Lara said she had recent work experience on an electronic assembly line and had been called to return to that job, but said she didn't trust anyone else with her children. Later, she admitted that even if she did find someone to trust, "if my little girl started calling someone else 'Mom,' it would just kill me. I would probably just break down and cry if she did that." Rose also raised child care as an issue, and then added several others including the costs of insuring her vehicle, the loss of medical and dental benefits, and not having enough time to spend with her children if she were working. Also, she doubted that she would find a good enough paying job to warrant leaving IA: "Any job that I was qualified for, or that was available, wouldn't be enough money." Amy had begun to think about going back to work but said she would need to find a job that paid enough to support her and her two children. She said she'd had a good job before, working with mentally handicapped people, but added that she needed training in order to get a better-paying job in that field. She then told us that she didn't have "any self-esteem," and she broke into tears. When able to speak again, Amy said that before she would be ready to re-enter the work world, she would need counseling "to get all the stuff off my chest," and some "mental support" from her children's father and from her friends. She said when she overcame these obstacles, "then I think everything will work out."

Although it was clear that most Eligibles felt they had strong reasons for delaying their exit from welfare, nevertheless, several had work on their mind. Some wanted training before re-entering the work world, but several others said they just wanted to find a job. Were these parents counting on SSP to take them out of welfare? Had they just been waiting to take advantage of the opportunity?

***Waiting for SSP?*** As with Ineligibles, during the focus group discussions only one of the Eligibles mentioned that the supplement may have influenced her decision to

leave welfare. Even when pressed to think of any reasons beyond those they had mentioned that might account for their continuing reliance on Income Assistance, participants did not volunteer the Self-Sufficiency Project as one of these reasons. Therefore, it was surprising that when the moderator ultimately asked participants some direct questions about their awareness of and reaction to the supplement offer, nearly all the participants said they were aware of SSP and showed considerable knowledge of the eligibility criteria, and most hoped that at some point they would to be able to take it up. Although some Eligibles lacked details about the offer, generally speaking, Eligibles seemed more aware of details connected with the offer than were Ineligibles, with several referring to the minimum-hours requirement as well as the income top-up. A few even volunteered criticism that the offer did not go far enough, expressing disappointment that help with job search or training or education wasn't included in the supplement package. Only two participants had no knowledge of the supplement offer: Both were new immigrants and possessed low levels of English literacy. When asked why they never mentioned the supplement when they talked about the things that prevented them from leaving Income Assistance, most of the Eligibles replied that it was other life circumstances—rather than the supplement—that had held them back. For example:

> *Leslie:* "Well, it [SSP] isn't a long-term thing so you tend to overlook it when getting to your final goal. . . . I'm glad it was brought up because now I can add it to the equation, but my big thing is upgrading and day care."
>
> *Elsie:* "Because I knew I'd be taking some courses before I went to work full-time, so it would be further away before I would be eligible for it . . . it's not in the next couple of months."
>
> *Rose:* "Well, I'd like to go to work—that's why I put that I wouldn't get paid enough money. So that's where that [SSP] would come in handy, that's my biggest problem." [*Moderator:* "But why didn't you put it on your path"?] "Because I don't know enough about it yet, really, I don't think I do." [She had indicated earlier that she felt unclear about the project, knowing only that it would help with employment and allow her to take a minimum-wage job and still be able to make enough to support her family.]
>
> *Kristy:* "Well, I don't know why I didn't put it on my path, but . . . that's on my mind when I'm looking for a job. There's even jobs that have been in the paper and I've thought, 'Well, I need 30 hours a week, so I can't take that one.'" [*Moderator:* "Did it play any part in the fact that you're still on IA after 12 months"?] "Did I stay on it so I could qualify? No. If I could've gotten into a course I would've done that rather than stay on welfare."
>
> *Beverly:* "I think in the back of my mind, once I read about it, I thought, 'Well, I'm not quite there yet, but that certainly would be something I'd look into once I got to that point. . . . " [*Moderator:* "But did it make you stay on Income Assistance?"] "No, it didn't make me, because I had no choice, really."

Only Elsie indicated that the supplement itself had been a factor in the length of time she had actually spent on Income Assistance. She said she had stayed on Income Assistance most of the year because she was waiting for her son to be old enough to start school: "In August, I thought it was time to go to work because Shane was starting school but I thought, 'I'm just going to hang on for another couple of months and see what happens with SSP.'"

In discussing SSP, the focus group participants looked upon the supplement as something that would facilitate their re-entry into the work world. Therefore, it is intriguing that it did not figure more prominently in their decision to stay on Income Assistance, and that more participants didn't pay closer attention to the details of the supplement offer. A number of participants knew money was involved, but did not pay close attention to the difference it would actually mean to their total income. Participants told us that at least part of the reason they gave the offer little attention had to do with timing. They said, "You hear about it when it's not really an issue, [when] your life has fallen apart." One woman said, "Yeah. You think, 'What? I'm just trying to get up in the morning!'"

### Summing Up

From these focus group discussions, we conclude that the supplement offer had little effect on the length of time these single parents remained on Income Assistance. The offer's apparent lack of importance was especially notable with those who had left welfare before their qualifying year was up, but even among those who had remained long enough to qualify for the supplement, it was not the supplement offer itself that had motivated their stay.

Various reasons were offered for the supplement's minimal (or complete lack of) influence on these participants. Most had, for instance, come into Income Assistance at a time of crisis in their lives—a relationship breakdown, or a job layoff—and they had a family to support. Some had come to Income Assistance because they had very young children and placed a priority on being their child's main caregiver. At the time the offer was made, the energies and attention of these single parents had been directed elsewhere—either to resolving their personal crises or overcoming a key barrier to work—leaving them little room to consider a future supplement offer. And, because the supplement held little importance for them, many paid little attention to what was actually being offered, and this behaviour seemed independent of the amount of information transmitted.

## Conclusions

Any targeted social program runs the risk of inducing people to change their behaviour in order to become eligible for the program. In the case of training programs or earnings supplements for welfare recipients, previous analysts have argued that these "entry effects" could be sizable and could account for a substantial portion of the overall costs of the program. In the Self-Sufficiency Project, the possibility of entry effects was recognized early on, and a separate experiment was conducted to measure their importance. For a program like SSP, there are two potential sources of entry effects. On the one hand, people who otherwise would not be on welfare at all may apply for IA in order to become eligible for the SSP supplement (a "new applicant" effect). On the other hand, some welfare recipients who would normally stay on IA for less than a year may extend their stay in order to meet the

one-year qualifying period (a "delayed exit" effect). The SSP Entry Effects Demonstration was limited to measuring delayed exit effects for two reasons. First, conducting an experiment to test for the possibility of a new applicant effect would be very expensive, since a fairly large sample of single parents would be needed to detect statistically significant impacts. Second, because of the stigma and costs associated with applying for IA, the new applicant effect is likely to be considerably smaller than the delayed exit effect, and may in fact be close to zero.

Our analysis of the delayed exit effect suggests that it is fairly small, on the order of 3.1 percentage points. There are several explanations for the modest size of this delayed exit effect. Over one-half of new welfare applicants stay on Income Assistance for a year or more anyway. Moreover, short-term welfare recipients appear to be unaffected by the offer of an SSP supplement. Thus, only about one-third of new applicants to Income Assistance are substantially "at risk" of changing their behaviour in response to the supplement offer. Next, while the magnitude of the delayed exit effect appears to grow somewhat, the fact that the effect is not dramatically larger in the later months implies that delayed exits seen in the early months may not accumulate over time. These findings are consistent with the hypothesis that applicants may extend their stay for a few months, but not for a full year—in effect, changing their minds as opportunities to leave the rolls arise.

The focus group responses suggest another reason for these small effects. The stigma of welfare, coupled with a strong preference for work, plus the difficulty many recipients say they have finding work, provides strong impetus to take a job when one can be found. Moreover, single parents' lives are complex and filled with crises and barriers to leaving welfare. These forces together make it unlikely that many recipients could easily plan their welfare behaviour around the timing of SSP eligibility.

Finally, as is true for other features of the welfare system, not all participants in the entry effects study were fully aware of the details of the SSP supplement offer. Our analysis indicates that people in the program group of the applicant study had as much information about SSP as typical welfare recipients had about other IA programs—and some had even more. Even among the well-informed subset of the program group, however, the delayed exit effect is relatively modest—on the order of 5 percentage points. On balance, the evidence suggests that the 12-month eligibility restriction for the SSP program successfully limits the size of the overall entry effects generated by the supplement offer.

Our finding that short-term Income Assistance recipients were unaffected by the supplement offer suggests the "new applicant" effect generated by SSP may also be negligible. If people who have already borne the costs and stigma of applying for welfare are unwilling to stay on Income Assistance for an additional 9–12 months to get the supplement, we suspect that the working poor and other families with incomes just above welfare eligibility thresholds would also be unlikely to reduce their work effort or income, or to alter their job search behaviour, to meet welfare eligibility levels.

The fact that entry effects appear to be small in SSP is noteworthy because the financial incentives offered by SSP are substantial. Moreover, compared with other kinds of welfare innovations, like offers of training or requirements to participate in job search or to take a welfare department-created "workfare" job, SSP has no offsetting deterrence effects. If a

generous voluntary program like SSP has such modest entry effects, it is likely that the entry effects associated with other welfare innovations having similar waiting periods and work requirements may also be small. Of course, further empirical tests of entry effects for other kinds of programs are needed before such a conclusion can be judged as definitive.

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